



# Handbook

For  
Authorized  
IRS *e-file*  
Providers of  
Individual  
Income Tax  
Returns

Revenue Procedure 2000-31 Inside  
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# Must Read Information

If you're reading this, you've probably already applied for and been accepted into the IRS *e-file* Program as an Authorized IRS *e-file* Provider. If you haven't, then you should obtain Publication 3112, *The IRS e-file Application Package* (see Where can I get Information about Applications or Fingerprint Cards? in this chapter) For your convenience, additional information about the application process is included in an appendix to this publication. This document, Publication 1345, *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*, is specifically geared to Authorized IRS *e-file* Providers who have been accepted as participants in the IRS *e-file* Program.

## IRS *e-file* Publications

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The IRS publishes several documents for the use of participants in the IRS *e-file* Program. While this publication is the primary repository of the requirements for Authorized IRS *e-file* Providers, the information contained in this publication must be used in conjunction with material in other IRS *e-file* publications.

- Publication 3112, *The IRS e-file Application Package*. All Authorized IRS *e-file* Providers must apply and be accepted to participate in the IRS *e-file* Program. If you are not an Authorized IRS *e-file* Provider, this document contains the application form and crucial information about becoming a Program participant.
- Publication 1345, *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*, contains requirements for participating in the IRS *e-file* Program.
- Publication 1345A, *Filing Season Supplement for Authorized IRS e-file Providers of Individual Income Tax Returns*, is an annual publication which

contains the most current, up-to-date information about the IRS *e-file* Program.

- Publication 1346, *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*. Information in this publication will be of particular interest to those who transmit tax return information or develop software for transmission to the IRS.

See The Revenue Procedure and Other Important Documents in Chapter 2 for additional information about IRS *e-file* publications.

### Why a New Publication 1345?

This edition of Publication 1345, *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*, replaces the previous edition entitled *Handbook for Electronic Return Originators of Individual Income Tax Returns*.

In this revision, the publication has been expanded to include information for all Authorized IRS *e-file* Providers, not just

**Publication 1345 redefines the categories of IRS e-file Providers and sets forth Program requirements.**

Electronic Return Originators (ERO). In the rapidly changing and expanding electronic world, IRS *e-file* Providers increasingly fulfill new functions as IRS *e-file*

Program participants. This publication redefines the various categories of IRS *e-file* Providers and sets forth IRS *e-file* Program requirements. A basic change to this publication involves the revision of the revenue procedures governing the IRS *e-file* program. The information that was Revenue Procedure 98-50, *Requirements of Participants in the IRS e-file Program for Form 1040, U.S. Individual Income Tax Return*, and Revenue Procedure 98-51, *Requirements of Participants in the Form 1040 On-Line Filing Program*, has been consolidated into a single document, Revenue Procedure 2000-31, *Requirements of Participants in the IRS e-file Program for Individual Income Tax Returns*.

In the past, Publication 1345 was geared to fulfill the needs of EROs. As the revision of the revenue procedures redefines the roles of various

IRS *e-file* Providers, the publication has been expanded to include all Authorized IRS *e-file* Providers. EROs are still included, but so are Transmitters, Intermediate Service Providers, and Software Developers. The revised revenue procedure includes basic changes to the definitions of various categories of Providers. For example, previously an Electronic Return Originator was defined as an Electronic Return Preparer or an Electronic Return Collector. The distinction has been removed in the new definition of an ERO with its focus not on tax preparation, but on origination of the electronic submission of a tax return. See Chapter 3 for more information on the role of the ERO in the IRS *e-file* Program.

## Where to Get Additional Information

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The IRS offers a number of ways to find out what you need to know. The following will direct you to the best sources of information for frequently asked questions.

### **Where can I find the most current information about the IRS *e-file* Program?**

Via the Internet, contact the IRS *Digital Daily* web site:

- <http://www.irs.gov>
- Click on “Electronic Services”
- Subscribe to the IRS *Digital Dispatch* and the IRS Local News Service by clicking on “IRS *e-file* for Tax Professionals, Software Developers and Transmitters”.

### **How does the IRS keep Authorized IRS *e-file* Providers informed of operational issues?**

All important operations information is posted to the Electronic Filing Bulletin Board at 859-292-0137 (not toll free).

### **If I get correspondence from the IRS, whom can I call for more information?**

All letters from the IRS have a contact telephone number to reach the person best able to help you with your questions.

**Where can I find telephone numbers  
and addresses for other IRS services?**

Via the Internet, contact the IRS *Digital Daily* web site:

- <http://www.irs.gov>
- Click on “Electronic Services”

Each tax package from the IRS contains numbers for tax help, forms and publications. Because some addresses and telephone numbers change each year, refer to the current year’s package for the most up-to-date information.

**What is the TeleTax number I must give taxpayers  
so they can inquire about the status of their tax refunds?**

1-800-829-4477 (toll-free).

**Report fraud or  
suspicious activity to the IRS  
by calling 1-800-829-0433  
(toll-free).**

**Where can I report fraud or suspicious activity I observe?**

Any time you observe or become aware of fraud or suspicious activity, report it to the IRS by calling 1-800-829-0433 (toll-free).

**Where can I get information about  
obtaining or submitting fingerprint cards?**

Call 1-800-691-1894 (toll-free).

**My software doesn’t work. What should I do?**

The IRS does not develop or sell tax preparation or electronic return data transmission software. If you have problems, you should contact the vendor who sold you the software or the technical support operation that comes with the software package.

**Where can I get more information about filing both Federal and state tax returns?**

Additional information and a list of state *e-file* contacts are available via the IRS *Digital Daily* web site:

- <http://www.irs.gov>
- Click on “Electronic Services”
- Click on “IRS *e-file* for Tax Professionals, Software Developers and Transmitters”
- Click on “Federal/State *e-file* for Tax Professionals”.

**Often, the Authorized IRS *e-file* Provider offering one-stop tax service is the most successful.**

Often, the Authorized IRS *e-file* Provider offering comprehensive one-stop tax service is the most successful. If you are not participating in the Federal/State *e-file* Program, you are missing a golden business opportunity to offer your clients and customers the benefits and convenience of filing both Federal and state income tax returns electronically. You cannot offer this option unless you have applied and been accepted.

Don't miss out! Apply now. See the Federal/State *e-file* section in Chapter 2.

# Information for All Authorized IRS *e-file* Providers

## What is an Authorized IRS *e-file* Provider?

An Authorized IRS *e-file* Provider (Provider) is a business authorized by the IRS to participate in the IRS *e-file* Program. The business may be a sole proprietorship, partnership, corporation, or organization. A Provider submits an application, is accepted into the Program, is assigned an Electronic Filing Identification Number (EFIN) and receives credentials for the filing season. Any Provider may function as an income tax preparer and as such may be subject to return preparer penalties.

In addition to tax returns originated by EROs, the IRS *e-file* Program allows taxpayers to file their income tax returns by using a personal computer, modem, and commercial tax preparation software. Filing through a personal computer is known as the On-Line Filing.

Authorized IRS *e-file* Providers include EROs, Transmitters, Intermediate Service Providers, and Software Developers. Each will be discussed at length in later chapters. Briefly, an ERO originates the electronic submission of income tax returns. An Intermediate Service Provider assists in processing tax return information between the ERO (or the taxpayer, in the case of On-Line Filing) and the Transmitter. A Transmitter sends the electronic return data to the IRS. A Software Developer writes origination or transmission software.

The categories used to describe Authorized IRS *e-file* Providers are not mutually exclusive. For example, an ERO can, at the same time, be a Transmitter, a Software Developer, or an Intermediate Service Provider depending on the function being performed. An ERO that originates the electronic submission and transmits returns directly to the Service performs a dual role as both an ERO and a Transmitter. Taxpayers using the Internet to file their tax returns may be using either On-Line Filing or EROs. For example, if a taxpayer enters return data directly into tax preparation software, On-Line Filing is being used.

**The categories used to describe Authorized IRS *e-file* Providers are not mutually exclusive.**

If the taxpayer provides tax information that someone else will use to prepare a tax return, an ERO is being used.

## **Principals and Responsible Officials**

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When submitting an application to participate in the IRS *e-file* Program, a firm identifies its principals and at least one Responsible Official. The roles are not mutually exclusive; a principal may also serve as the Responsible Official. A business is accepted into and may continue to participate in the IRS *e-file* Program if the business, its principals, and Responsible Officials maintain a high degree of integrity, compliance, and accuracy. Each individual who is a principal or Responsible Official must be a United States citizen or an alien lawfully admitted for permanent residence as described in 8 U.S.C. §1101(a)(20) (1994), be 21 years of age as of the date of application, and pass a suitability check. The suitability check includes a credit check, a fingerprint check, compliance with tax requirements, and meeting state and local licensing and/or bonding requirements for the preparation and collection of tax returns. See Annual Suitability Checks in Chapter 6.

A principal for a firm or organization includes the following:

- **Sole Proprietorship:** The sole proprietor is the principal for a sole proprietorship.
- **Partnership:** Each partner who has a 5 percent or more interest in the partnership is a principal. If no partner has at least a 5 percent or more interest in the partnership, the principal is an individual authorized to act for the partnership in legal and/or tax matters (at least one such individual must be listed on the application).
- **Corporation:** The President, Vice-President, Secretary, and Treasurer are each a principal of the corporation.
- **Other:** The principal for a for-profit entity that is not a sole proprietorship, partnership, or corporation is an individual authorized to act for the entity in legal and/or tax matters (at least one such individual must be listed on the application).

Each Provider must designate an individual to fulfill the role of “Responsible Official”. A Responsible Official is the individual with authority over the IRS *e-file* operation of the Provider, is the first point of contact with the Service, and has authority to sign revised IRS *e-file* applications. A Responsible Official ensures the Provider adheres to the provisions of the revenue procedure as well as all publications and notices governing the IRS *e-file* Program. The Responsible Official may oversee IRS *e-file* operations at one or more offices, but must be able to fulfill identified responsibilities at each. If one individual cannot fulfill these responsibilities, additional Responsible Officials can be identified by revising applications.

### The Revenue Procedure and Other Important Documents

**Revenue Procedure 2000-31**, *Requirements of Participants in the IRS e-file Program for Individual Income Tax Returns* (see Appendix III), specifies the requirements for participating as an Authorized IRS *e-file* Provider and is the official set of rules that governs the IRS *e-file* Program.

Revenue Procedure 2000-31 replaces Revenue Procedure 98-50 and Revenue Procedure 98-51, which included information about On-Line Filing of tax returns. Likewise, information for Providers participating in On-Line Filing is included throughout this publication.

Those who are familiar with the revenue procedure as it appeared in prior years will notice a change in the relationship between the revenue procedure and Publication 1345. In order to streamline the revenue procedure, Publication 1345 has been revised to include most program requirements. In Revenue Procedure 2000-31, Providers are directed to refer to this publication (as well as the publications listed in Chapter 1, the Electronic Filing Bulletin Board, and the IRS web site) for attendant duties and responsibilities of the IRS *e-file* Program.

**Providers should be familiar with both the revenue procedure and Publication 1345 to ensure compliance.**



**However,  
Publication 1345 has the  
same legal force and effect as  
the revenue procedure.**

**Publication 1345**, *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*, is intended to supplement the revenue procedure but does not supersede it. However, Publication 1345 has the same legal force and effect as the revenue procedure. Violating a provision of this publication may subject the Provider to sanctions (see Chapter 6). Providers should familiarize themselves with both the revenue procedure and Publication 1345 to ensure compliance with all requirements of the Program. The revenue procedure and Publication 1345 are updated on an as needed basis.

**Publication 1345A**, *Filing Season Supplement for Authorized IRS e-file Providers of Individual Income Tax Returns*, is an important document which is published annually and contains the most current, up-to-date information regarding the IRS *e-file* Program. The Publication 1345A supplements the revenue procedure and Publication 1345 with program updates, IRS *e-file* contact information and addresses, a comprehensive list of the Error Reject Code (ERC) Explanations, and the Form Field Exhibits. Publication 1345A is mailed annually, prior to the beginning of the filing season, to Providers in good standing. So it is very important that the IRS has your most recent address. If your office has moved or your address has changed, you will need to update your address with us. Refer to Revisions to Form 8633 Information in this chapter.

Over the next several years the IRS will conduct a number of pilot programs looking for ways to improve and simplify the IRS *e-file* Program. Each pilot program is usually conducted within a limited geographic area or with a limited taxpayer or practitioner community. The rules for pilot programs are contained in implementing documents typically referred to as “Memoranda of Understanding” (MOU) or “Memoranda of Agreement” (MOA). If you are part of a pilot program, the implementing document has the same force as the revenue procedure. See the revenue procedure in Appendix III for more information.

Other important documents that might be of interest to participants in the IRS *e-file* Program include Publication 3112, *The IRS e-file Application Package*, and Publication 1346, *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*. See Chapter 1 for a description of the content of these publications.

### **Publication Schedule**

Publication 1345 will be reissued when changes to the IRS *e-file* Program so warrant and should be retained for use from year to year. The Service will issue Publication 1345A, *Filing Season Supplement for Authorized IRS e-file Providers of Individual Income Tax Returns*; Publication 3112, *The IRS e-file Application Package*; and Publication 1346, *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*, annually.

### **Acceptance into the IRS *e-file* Program**

**All Authorized IRS *e-file* Providers have applied and been accepted into the IRS *e-file* Program.**

All Authorized IRS *e-file* Providers have applied and been accepted into the IRS *e-file* Program. See Publication 3112, *The IRS e-file Application Package*, for application procedures as well as the appropriate application form. Additional information about the application process can be found in Appendix II of this publication. The Service reviews any firm, organization, principal, or Responsible Official listed on the application. An application may be denied for participation in the IRS *e-file* Program for a variety of reasons that include but are not limited to:

- 1.** Conviction of any criminal offense under the revenue laws of the United States or of a state or other political subdivision;
- 2.** Failure to file timely and accurate Federal, state, or local tax returns, including returns indicating that no tax is due (unless the applicant did not have a legal filing requirement);
- 3.** Failure to timely pay any Federal, state, or local tax liability;
- 4.** Assessment of penalties;

- 5.** Suspension/disbarment from practice before the Service or before a state or local tax agency;
- 6.** Disreputable conduct or other facts that would reflect adversely on the IRS *e-file* Program;
- 7.** Misrepresentation on an application;
- 8.** Suspension or denial of participation from the Program in a prior year;
- 9.** Unethical practices in return preparation;
- 10.** Assessment against the applicant of a penalty under §6695(g) of the Internal Revenue Code;
- 11.** Stockpiling returns prior to official acceptance into the IRS *e-file* Program;
- 12.** Knowingly and directly or indirectly employing or accepting assistance from any firm, organization, or individual prohibited from applying to participate in the IRS *e-file* Program or suspended from participating in the IRS *e-file* Program. This includes any individual whose actions resulted in the denial, suspension, or expulsion of a firm from the Form 1040 ELF Program or the IRS *e-file* Program; or
- 13.** Knowingly and directly or indirectly accepting employment as an associate, correspondent, or as a subagent from, or sharing fees with, any firm, organization, or individual prohibited from applying to participate in the IRS *e-file* Program or suspended or expelled from participating in the IRS *e-file* Program. This includes any individual whose actions resulted in the denial, suspension, or expulsion of a firm from the Form 1040 ELF Program as well as the IRS *e-file* Program.

## **Credentials**

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All Providers are issued credentials annually that allow participation in the IRS *e-file* Program. The form the credentials take and when the credentials are issued depends upon the category of Provider. All categories

Information for  
All Authorized  
IRS *e-file* Providers

**Providers must have the appropriate identification numbers and annual acceptance letter to participate.**

of Providers are assigned an EFIN that appears in their credentials. ERO and Intermediate Service Provider acceptance letters are issued by December. Transmitters receive an acceptance letter after successfully completing PATS testing (see Chapter 4). Software Developers receive an acceptance letter after successfully completing software and/or communication testing. See Chapter 5 for additional information. The credentials Transmitters and Software Developers receive include an Electronic Transmitter Identification Number (ETIN).

All Providers must include their identification numbers with the electronic return data of all returns that are transmitted to the IRS. If more than one Authorized IRS *e-file* Provider is involved in the origination and transmission of the return data, all of their identification numbers must be included in the electronic record. See Chapter 5 for information about the identification numbers of Intermediate Service Providers.

Acceptance letters are issued annually and confirm the status of Authorized IRS *e-file* Providers to participate in the current filing season. Providers do not need to submit new application Forms 8633 each year to participate in the IRS *e-file* Program. They will automatically receive acceptance letters if:

- Their addresses are up-to-date on IRS records;
- They transmitted at least one return that was acknowledged as accepted in the IRS *e-file* Program for the previous and/or the current year;
- They are not denied participation in or suspended from the IRS *e-file* Program;
- They have not been dropped from the IRS *e-file* Program for any reason; and
- They have passed the annual suitability check.

Providers are required to have the appropriate identification numbers and the annual acceptance letter to participate in the IRS *e-file* Program.

Providers that meet all of the above conditions but have not received acceptance letters by mid-December should call 1-800-691-1894 (toll-free) to check on the status of the letter.

## Checking Credentials of Other Authorized IRS *e-file* Providers

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Authorized IRS *e-file* Providers may only use other Authorized *e-file* Providers to perform some or all of the processes required in the IRS *e-file* Program. Providers should check the credentials of other Authorized *e-file* Providers to ensure that they are accepted for the current filing season. Care must be taken to ensure that the integrity of the IRS *e-file* Program is maintained.

If there are any questions about doing business with a current or former Authorized IRS *e-file* Provider, contact the IRS.

## “Returns Filed” in the IRS *e-file* Program

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A “return” filed in the IRS *e-file* Program may be a composite of electronically transmitted data and certain paper documents or, as is becoming increasingly common, it may be completely paperless. The paper portion of a composite return may consist of paper declarations such as Form 8453, *U.S. Individual Income Tax Declaration for an IRS e-file Return*, or Form 8453-OL, *U.S. Individual Income Tax Declaration for an IRS e-file On-Line Return*, and other paper documents that cannot be electronically transmitted.

All due dates that govern when to file an individual tax return apply to the IRS *e-file* Program. Filing a return through the IRS *e-file* Program, however, is limited to tax returns for the current year. A tax return cannot be electronically filed after the 15th day of October following the close of that tax year even if the taxpayer has been granted an extension to file a return beyond that date. If the 15th day of October falls on a Saturday, Sunday, or legal holiday, then the electronically filed return may be filed on the next succeeding day which is not a Saturday, Sunday, or legal holiday.

State income tax returns that are filed as part of the Federal/State *e-file* Program become part of the electronically transmitted data. States often

**All due dates that govern when to file individual tax returns apply to the IRS *e-file* Program.**

require the submission of paper documents to complete the return, but they are separate from Federal paper documents. State paper documents are handled by EROs according to state rules.

### Returns Not Eligible for the IRS *e-file* Program

The following describes returns and return conditions that cannot be processed by the IRS *e-file* Program:

- Other than current year tax returns (see discussion of due dates above);
- Tax returns with fiscal year tax periods;
- Amended tax returns;
- Tax returns for decedents;
- Married Filing Separate filing status returns in community property states (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin) **Exception:** Married Filing Separate returns with military indicators for stateside addresses may be filed from community property states;
- Returns containing forms or schedules that cannot be processed by IRS *e-file*. Publication 1345A, *Filing Season Supplement for Authorized IRS e-file Providers*, published in December of each year contains a list of accepted forms and schedules for the current tax year; and
- Tax returns with Taxpayer Identification Numbers (TIN) within the range of 900-00-0000 through 999-99-9999. **Exception:** Adopted Taxpayer Identification Numbers (ATIN) and Individual Taxpayer Identification Numbers (ITIN) may fall within the range above. Valid ATINs contain the digits 93 in the fourth and fifth positions. Valid ITINs contain digits within a range of 70 through 80 in the fourth and fifth digits. See Verifying Taxpayer Identification Numbers in Chapter 3 for more information on ATINs and ITINs.
- Tax returns with rare or unusual processing conditions or that exceed the specifications for returns allowable in the IRS *e-file* Program cannot be processed electronically. These conditions change from year to year.

Your software should alert you to these conditions when they occur. If electronic return data with one of these conditions is transmitted to the IRS, it will reject and the tax return must then be filed on paper. The software package documentation or the software's support program should provide more specific information.

### **Submitting a Timely Filed Electronic Tax Return**

All Authorized IRS *e-file* Providers must ensure that returns submitted for electronic filing are promptly processed. However, a Provider that receives a return for electronic filing on or before the due date of the return must ensure that the electronic portion of the return is transmitted on or before that due date (including extensions). An electronically filed return is not considered filed until the electronic portion of the tax return has been acknowledged by the Service as accepted for processing and a signature for the return has been received, either electronically or on a Form 8453. However, if the electronic portion of a composite return is successfully transmitted on or shortly before the due date and the Provider complies with the requirements for signing the return, the return will be considered timely filed. The requirements for signing the return include completing the paper declaration in accordance with applicable instructions. If the electronic portion of a return is transmitted on or shortly before the due date and is ultimately rejected, but the Provider and the taxpayer comply with the requirements for timely resubmission of a correct return, the return will be considered timely filed. For additional information about the filing of a tax return through IRS *e-file*, see The Origination of a Tax Return in Chapter 3.

Transmitters may provide electronic postmarks to taxpayers if they adhere to the requirements in Chapter 4. The receipt of an electronic postmark will provide taxpayers with confidence that they have filed their return timely. The date of the electronic postmark is considered the date of filing when the date of electronic postmark is on or before the prescribed due date and the return is received by the IRS after the prescribed due date for filing. All requirements for signing the return

**The electronic postmark provides taxpayers with confidence that their return has been filed on time.**

and completing a paper declaration, if required, as well as for timely resubmitting of a rejected timely filed return must be adhered to for the electronic postmark to be considered the date of filing.

### Federal/State *e-file*

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Federal/State *e-file* is a cooperative tax filing program between the IRS and most states. The program allows Authorized IRS *e-file* Providers to file both Federal and state returns electronically for clients and customers. Because more and more taxpayers are choosing electronic filing, EROs who offer the most attractive array of services will be the most competitive. Taxpayers appreciate the benefits of one stop filing of all their income tax returns. Add to that quicker refunds, confirmed proof of filing and, in many cases, “file now, pay later” options. Federal/State *e-file* positions your firm as a leader in comprehensive, front-line tax service.

Adding Federal/State *e-file* to your business is very similar to the process you went through to become an Authorized IRS *e-file* Provider. Refer to Reporting Changes to your IRS *e-file* Business to the IRS below for further details. Also contact the state coordinator for the state programs in which you will be participating for further explanation of state rules and requirements.

**For more information about Federal/State *e-file*, see the IRS Digital Daily web page, [www.irs.gov](http://www.irs.gov).**

### Reporting Changes to Your IRS *e-file* Business to the IRS

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#### Revisions to Form 8633 Information

Providers must notify the IRS within 30 days of all changes to the information they originally submitted on Form 8633, *Application to Participate in the IRS e-file Program*. This is important for several reasons. If addresses are not up-to-date on the database, Providers may not receive important letters, credentials, publications or promotional material. If any of those items are returned to the IRS indicating that the address has changed, we will temporarily drop those Providers from the IRS *e-file* Program. This



**Changing your address with Form 8633 will not change other IRS records.**

means that all returns submitted by those Providers will be rejected until the address information is updated. The same is true for telephone numbers. If the IRS tries to call Providers whose numbers have changed, we will temporarily drop them from the IRS *e-file* Program until new telephone numbers are provided. Keep in mind that changes submitted on Form 8633 will not change the address of record for a business' tax records nor will a change to tax records automatically update information associated with a Provider's EFIN.

#### **Revisions by Letter and Telephone**

All revisions may be made using Form 8633, but you may update the following information by letter, using your firm's official letterhead: 1) all addresses; 2) all phone or fax numbers; 3) contact representatives; 4) service centers receiving your electronic return data; 5) transmission protocols; 6) adding Federal/State *e-file* to your list of services; and 7) changes to the Foreign Filer information. Unless you are solely a Software Developer, you may also add provider options—ERO, Transmitter, Intermediate Service Provider, or Software Developer—by letter, using your firm's letterhead. **Exceptions**—Changes to “business names” or “doing business as names” may be made by letter unless the change resulted in the firm being issued a new Employer Identification Number (EIN). New EINs require that new Forms 8633 be submitted to the IRS. Firms that change their form of organization, a sole proprietorship to a corporation for example, must also submit new Forms 8633.

Include in the letter enough information to correctly identify the application being revised. Be sure to include the appropriate EFIN and/or ETIN that applies, as well as a firm name, firm EIN or Social Security Number (SSN), and doing business as name. The other identifying information that should be included applies only when the firm is controlled or owned by another Authorized IRS *e-file* Provider. If that is the case, the name, business address, and EFIN and ETIN (if applicable) of the controlling Authorized IRS *e-file* Provider must be included. A principal or the Responsible Official must sign the letter.

Most changes that can be made using a letter can also be made by telephone. The call must be made by someone with the authority to make the change. The caller will be asked for identifying information.

The Service must be notified of any changes within 30 days of the change, at any time during the year. Send the letter (or Form 8633) to the address or call the number found in the instructions for the current Form 8633.

### Revisions Using Form 8633

Other types of revisions require that you complete Form 8633 (Rev. 7-2000 or later). Check the box for revised applications for the following situations:

1. The Authorized IRS *e-file* Provider is functioning solely as a Software Developer and intends to do business as an ERO, Intermediate Service Provider, or Transmitter;
2. An additional principal of the firm, such as a partner or a corporate officer, must be listed on Form 8633;
3. The Responsible Official on Form 8633 changes; or
4. A principal listed on Form 8633 should be deleted.

These revised applications (except situation 4) must be submitted with fingerprint cards for new principals and Responsible Officials of the firm. You do not have to submit fingerprint cards for any individual that is listed as a principal or Responsible Official on another application for the firm that has been accepted into the IRS *e-file* Program.

You may also choose to submit evidence of professional status instead of fingerprint cards if the principal or Responsible Official is an attorney, CPA, enrolled agent, banking official who is bonded and has been fingerprinted within the last two years, or officer of a publicly owned corporation. All principals of the firm and the Responsible Official must sign the revised application.

Revised applications must be submitted within 30 days of the change and may be submitted at any time during the year. See Appendix II, The Application Process, for additional information.

**The Service must be notified of changes within 30 days of the change, at any time during the year.**

**New Forms 8633 are required when Providers expand their IRS *e-file* businesses to new locations.**

### **Adding New Business Locations**

Providers must submit completely new Forms 8633 when expanding their IRS *e-file* businesses to new business locations. Applications must be submitted with fingerprint cards for all principals of the firm and Responsible Officials listed on the application unless fingerprint cards have been submitted before for an applicant that was accepted into the IRS *e-file* Program.

EROs must submit new Forms 8633 only for additional fixed locations from which the origination of the electronic submission of the return will occur (see Chapter 3 for explanation of “origination of the electronic submission”). A fixed location is an office owned or leased by the ERO. EROs may prepare or collect returns from other than fixed locations without submitting a Form 8633 for each such location.

### **Selling, Transferring, or Discontinuing an IRS *e-file* Business**

Providers that sell, transfer, or otherwise discontinue an IRS *e-file* business must notify the IRS within 30 days. Be sure to include enough information to identify the correct business location (see Revisions by Letter in this chapter).

Providers may not sell or transfer identification numbers or passwords when selling, transferring or otherwise discontinuing an IRS *e-file* business.

### **Acquiring an IRS *e-file* Business by Purchase, Transfer, or Gift**

Providers that acquire by purchase, transfer, or gift an existing IRS *e-file* business with current credentials must submit a new application and receive new identification numbers and, where applicable, passwords. (See Adding New Business Locations above.) Attach proof of sale to the application. Applications must be submitted during the period beginning 45 days before, and ending 30 days after, the acquisition date.

Providers that acquire an existing IRS *e-file* business by purchase, transfer or gift may not use the identification numbers or passwords of the previous Authorized IRS *e-file* Provider. Providers may not acquire by sale,

**Providers may not  
sell or transfer identification  
numbers or passwords.**

merger, loan, gift or otherwise the identification numbers or passwords of another Authorized IRS *e-file* Provider.

Contact the IRS, prior to the acquisition, for assistance in making a smooth transition when transfers will occur during the filing season.

EROs interested in acquiring IRS *e-file* businesses currently under suspension or firms that were denied acceptance into the IRS *e-file* Program should contact the IRS to discuss transition issues.

### **Reporting Changes in the On-Line Filing Program**

Providers participating in On-Line Filing must submit any changes to the following information to the IRS Headquarters On-Line Filing Analyst, W:E:IEF:TPB, 5000 Ellin Road, Lanham, MD 20706, by the 31st day of December preceding the filing season.

- 1.** The brand name of the software the Provider will be using, has developed, or will be transmitting over. Required information about the software includes its Software Developer, Transmitter, retail cost and any additional costs for transmitting the electronic portion of the taxpayer's return. Additionally, software changes involving its use to file Federal/State returns, Internet availability (including the Internet address), successful completion of Participants Acceptance Testing (PATS), and the Professional Package name under which the software was tested must be reported.
- 2.** The Provider's point of contact for matters relating to On-Line Filing and the telephone number for the point of contact.
- 3.** The applicant's customer service number.
- 4.** The procedures the applicant will use to ensure that no more than five returns are transmitted from one software package or from one e-mail address.

# The Electronic Return Originator

## What is an ERO?

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An ERO is the first point of contact for most taxpayers in filing a tax return through the IRS *e-file* Program. An ERO is the Authorized IRS *e-file* Provider that originates the electronic submission of an income tax return to the IRS. EROs may originate the electronic submission of income tax returns they either prepared or collected from taxpayers.

## The Origination of an Electronic Tax Return

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Although an ERO may also engage in income tax return preparation, that activity is separate and different from the origination of the electronic submission of the tax return to the IRS. An ERO originates the electronic submission of a tax return after the taxpayer authorizes the filing of the return via the IRS *e-file* Program. The return must have been either prepared by the ERO or collected from a taxpayer. An ERO originates the electronic submission by:

- Electronically sending the return to a Transmitter that will transmit the return to the Service;
- Directly transmitting the return to the Service; or
- Providing a tax return to an Intermediate Service Provider for processing prior to transmission to the Service.

In originating the electronic submission of a tax return, the ERO has a variety of responsibilities that begin with providing for the electronic submission of the return. They include submitting any required supporting paper documents to the IRS; informing the taxpayer of the tax return's content and services available through the IRS; protecting the IRS *e-file*

Program from fraud or abuse; and retaining records after the process for filing an electronic tax return is complete.

The process used in originating an electronic return by the ERO is shown in the removable graphic located after the Table of Contents. The information that follows should be used in conjunction with that graphic in originating an *e-filed* tax return.

### **Obtaining, Handling and Processing Tax Information from Taxpayers**

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An ERO may prepare tax returns or collect returns already prepared from taxpayers who wish to have their returns IRS *e-filed*. EROs must clearly display their firms' names at all locations at which they prepare or collect returns so taxpayers know exactly whom to contact about their returns.

EROs obtain tax returns for which they then originate the electronic submission in a variety of ways. An ERO may, but is not required to be the preparer of the return submitted. An ERO may also originate returns that are collected from taxpayers. EROs must identify the paid preparer (if any) in the appropriate field of the electronic record of the tax return they originate.

Authorized IRS *e-file* Providers may disclose tax return information to other Providers for the purpose of preparing a tax return under Section 301.7216-2(h). For example, an ERO may pass on tax return information to an Intermediate Service Provider or a Transmitter for the purpose of having an electronic return formatted and transmitted to the Service. However, if the tax return information is disclosed or used in any other way, an Authorized IRS *e-file* Provider may be subject to the penalties described in §301-7216-1(a) and/or the civil penalties in §6713.

EROs that choose to originate returns that they have not prepared, but only collected, become income tax return preparers of the returns when,

as a result of entering the data, they discover errors that require substantive changes and then make the changes. A nonsubstantive change is a correction limited to a transposition error, misplaced entry, spelling error, or arithmetic correction. All other changes are considered substantive and the ERO becomes an income tax return preparer. As such, the ERO must sign the tax return as the income tax return preparer. See Signing an Electronic Tax Return in this chapter.

### **Verifying Taxpayer Identification Numbers**

EROs preparing tax returns should confirm identities and TINs of taxpayers, spouses, and dependents listed on returns. TINs include SSNs, EINs, Adopted Taxpayer Identification Numbers (ATIN), and Individual

Taxpayer Identification Numbers (ITIN). Confirmation of TINs is

**Confirmation of TINs is the cornerstone of any fraud prevention program.**

the cornerstone of any fraud prevention program. A fraud prevention program could include asking taxpayers to provide two forms of identification (picture IDs are preferable) that include the taxpayer's name and current address. Keep copies of these IDs with the other information that you are required to maintain. Also ask taxpayers for Social Security cards and other documents to avoid including incorrect TINs for taxpayers, spouses and dependents on tax returns. Care should be taken to ensure that all TINs are transcribed correctly. Incorrect TINs, using the same TIN on more than one return or having the wrong name associated with a TIN cause, by far, the largest number of returns to reject (see Acknowledgments of Transmitted Return Data in this chapter).

Additionally, the TINs for taxpayers, spouses and dependents are identified by a Name Control. A Name Control is the first four significant letters of a taxpayer's last name as recorded by the Social Security Administration (SSA). Having the wrong Name Control associated with a taxpayer's TIN has contributed to a large portion of TIN-related rejects. The most common example for a return rejecting due to a mismatch between a taxpayer's TIN and Name Control involves newly married

taxpayers. Typically, the taxpayer may file using a correct SSN along with the name used in the marriage, but the taxpayer has failed to update the records with the SSA to reflect a name change. Therefore, it is important to verify taxpayer TINs and Name Control information prior to submitting electronic tax return data to the IRS. By so doing, EROs will greatly minimize TIN-related rejects.

#### **Be Aware of Non-standard Information Documents**

EROs should be on the lookout for suspicious or altered Forms W-2, W-2G, and 1099-R and forged and fabricated documents. Always enter

**EROs should watch for suspicious or altered Forms W-2, W-2G, and 1099-R, and forged and fabricated documents.**

the “non-standard form” code when you discover or are presented with Forms W-2, W-2G or 1099-R that are altered, handwritten or typewritten (as opposed to computer prepared or generated). An alteration includes any pen-and-ink changes made by the taxpayer. The ERO must never alter the information on Forms W-2, W-2G, or 1099-R.

While income tax returns may be prepared using documentation of income and Federal tax withholding (such as a pay stub, Leave and Earning Statement, etc.), the return must not be electronically filed prior to the ERO’s receipt of the related Form W-2, W-2G, or 1099-R. If the taxpayer is unable to secure and provide to the ERO a correct Form W-2, W-2G, or 1099-R for the income and Federal tax withholding, the return may be electronically filed after Form 4852 is completed in accordance with the use of that form. If Form 4852 is used, the non-standard W-2 indicator must be included in the record and the Form 4852 must be retained by the ERO in the same manner as Forms W-2, W-2G, and 1099-R.

**The return must not be electronically filed prior to the ERO’s receipt of the related Form W-2, W-2G, or 1099-R.**

Fraudulent returns should not be filed with the Service. In a fraudulent return an individual uses someone else’s name or SSN, or presents documents or information that have no basis in fact. Any time you observe or become aware of suspicious activity concerning the filing of tax returns, or a potentially abusive return, report it to the IRS.



### **Be Careful with Addresses**

Many software packages automatically insert the taxpayer's current address throughout the return when forms or schedules require an address. This feature is intended to be a time saver, but in some instances, that address is not correct for a particular form or schedule. Providers, who are usually EROs, must input into the electronic record of the return any address on the paper Forms W-2, W-2G or 1099-R; Schedule C or C-EZ; or on other tax forms supplied by the taxpayer that differ from the taxpayer's current address. Addresses that differ from the taxpayer's current address must be input even if the addresses are old or if the taxpayer has moved. Software must allow for input of the different addresses on appropriate forms and schedules.

EROs should inform taxpayers that the address on the first page of the Form 1040, once processed by the IRS, will be used to update the taxpayer's address of record. The IRS uses a taxpayer's address of record for various notices that are required to be sent to a taxpayer's "last known address" under the Internal Revenue Code and for refunds of overpayments of tax (unless otherwise specifically directed by taxpayers, such as by Direct Deposit).

Finally, EROs must never put their addresses in fields reserved for taxpayers' addresses in the electronic data record or the Form 8453. The only exception is if the ERO has a power of attorney for the taxpayer for the tax return.

### **Avoiding Refund Delays**

EROs should advise taxpayers that they can avoid refund delays by having all their taxes and obligations paid, providing current and correct information to the ERO, ensuring that all bank account information is up-to-date, ensuring that their Social Security Administration records are

**EROs can help clients and customers avoid rejects and refund delays. Here are some suggestions.**

current, and carefully checking their tax return information before signing the tax return. EROs can do a number of things for clients and customers to avoid rejects and refund delays. Here are some suggestions:

- Insist on identification and documentation of social security and other identification numbers for all taxpayers and dependents.
- Exercise care in the entry of tax return data into tax return preparation software and carefully check the tax return information before signing the tax return;
- Avoid taxpayers who insist on claiming dubious items on tax returns or present altered or suspicious documents;
- Ask taxpayers if there were problems with last year's refund; if so, see if the conditions that caused the problems have been corrected or can be avoided this year; and
- Keep track of client issues that result in refund delays and analyze for common problems; counsel taxpayers on ways to address these problems.

### Refund Returns

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When taxpayers are entitled to refunds, EROs who function as the return preparer should inform taxpayers that they have several options. A refund may be applied to next year's estimated tax; received as a Direct Deposit or paper check; or be split so that a portion is applied to next year's estimated tax and the rest received as a Direct Deposit or paper check. See Refund Delays and Avoiding Refund Delays in this chapter for additional information.

#### Direct Deposit of Refunds

Taxpayers often elect the Direct Deposit option because it is the fastest way of receiving refunds. EROs should advise taxpayers of the option to receive their refund by Direct Deposit or paper check and must accept

any Direct Deposit election to any eligible financial institution designated by the taxpayer. Refunds may be Direct Deposited to qualified accounts in the taxpayer's name. Qualified accounts include savings, checking, share draft, or consumer asset accounts (for example, IRA or money market accounts). Refunds may not be Direct Deposited to credit card accounts. Qualified accounts must be held by financial institutions within the United States and established primarily for personal, family, or household purposes. Qualifying institutions may be national banks, state banks (including the District of Columbia and political sub-divisions of the 50 states), savings and loan associations, mutual savings banks and credit unions.

EROs should caution taxpayers that some financial institutions do not permit the deposit of joint refunds into individual accounts. The IRS is not responsible if Direct Deposits are refused for this reason. Check or share draft accounts that are "payable through" another institution may not accept Direct Deposits. Taxpayers should verify their financial institution's Direct Deposit policy before they file.

Taxpayers who choose Direct Deposit must provide EROs with account numbers and routing numbers for qualified accounts. The annual tax packages show EROs how to find and identify these numbers. This information is best obtained from official financial institution records, account cards, checks or share drafts that contain the taxpayer's name and address. The sole exception involves accounts specifically created to receive refunds that repay Refund Anticipation Loans (RAL). In those cases EROs may supply the identifying account data.

Additionally, an ERO must never charge a separate fee for Direct Deposit and must accept any Direct Deposit election by a taxpayer to any eligible financial institution. The ERO must advise the taxpayer that a Direct Deposit election cannot be rescinded and that changes cannot be made to routing numbers of financial institutions or to the taxpayer's account numbers.

**An ERO must never charge a separate fee for Direct Deposit and must accept any Direct Deposit election.**

EROs with repeat customers or clients should check to see if taxpayers have new accounts. Some software stores last year's information and

reuses it unless it is changed by the ERO. If taxpayers have changed their accounts and this is not noted in the electronic return data, their refunds will not be Direct Deposited.

Refunds that are not Direct Deposited because of institutional refusal, erroneous account or routing numbers, closed accounts, bank mergers, or any other reason will be issued as paper checks, resulting in refund delays of up to ten weeks. See also Refund Delays and Avoiding Refund Delays in this chapter. While the Service will ordinarily process a request for Direct Deposit, it reserves the right to issue a paper check and does not guarantee a specific date by which the refund will be deposited into the taxpayer's account. Treasury's Financial Management Service (FMS) issues Federal income tax refunds and offsets taxpayers' refunds to pay off past-due child support or Federal agency debts such as student loans. Neither the Service nor FMS is responsible for the misapplication of a Direct Deposit that is caused by error, negligence, or malfeasance on the part of the taxpayer, Authorized IRS *e-file* Provider, financial institution, or any of their agents.

### Balance Due Returns

Taxpayers who owe additional tax must pay their balances due by the original due date of the return (usually April 15) or be subject to interest and penalties. Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, may be filed electronically, by phone, or on paper by the original return due date, but it is an extension of time to file tax returns, not an extension of time to pay balances due. EROs should inform taxpayers of their obligations and options for paying balances due. Taxpayers have several choices when paying any taxes owed on their tax returns as well as any estimated taxes.

**EROs should inform taxpayers of their obligations and options for paying balances due.**

### **Direct Debit**

Payments may be made electronically by direct debit. Taxpayers who choose this option must provide EROs with account numbers and routing transit numbers for qualified savings, checking or share draft accounts.

The annual tax packages show EROs how to find and identify these numbers. This information is best obtained from official financial institution records, account cards, checks or share drafts that contain the taxpayer's name and address. EROs should caution taxpayers to determine, before they file, if their financial institution supports direct debit requests from the designated account. Payments cannot be authorized for this purpose from some credit union share accounts.

Taxpayers must specify the bank account from which they wish to have the payment withdrawn and the date on which the debit will be made.

**Taxpayers should check with their financial institutions to verify that such payments can be made.**

This allows taxpayers to pay the balance as soon as the return is processed or delay it to a future date, not later than the return's April due date. For example, the ERO may transmit the return in March and the taxpayer can specify that the debit be made on any day on or before the return due date. The taxpayer does not have to remember to do anything at a later date. For returns transmitted after the due date, the payment date must be the same as the date the return is transmitted. Three types of tax payments can be made by Direct Debit: current year Form 1040 balance due payments, Form 4868 payments, and Form 1040-ES, *Estimated Tax for Individuals*, payments. Estimated tax payments can only be made at the time that the Form 1040 is electronically filed.

**EROs should ensure that all the information needed for the direct debit request is included with the return.**

EROs should be careful to ensure that all the information needed for the direct debit request is included with the return. Taxpayers must provide all of the following:

- Routing transit number (RTN);
- Account number;

- Type of account (checking or savings);
- Date of debit; and
- Amount to be debited.

If taxpayers do not provide all of the needed information, EROs must contact the taxpayers. If the ERO is unsuccessful in obtaining the direct debit information but the returns are otherwise complete, the ERO should proceed with the origination of the electronic return data to the IRS. The ERO must notify the taxpayer(s) in writing that other arrangements must be made to pay the balance due.

#### **Credit Card Payments**

A second electronic payment option for taxpayers is to pay the balance by credit card using one of the following methods:

■ **Integrated file and pay.** Payments may be made electronically by credit card if the tax software used includes this option. Taxpayers who choose this option must provide EROs with the credit card number, expiration date and possibly, the cardholder's zip code. The credit card service provider will charge the taxpayer a convenience fee based on the amount of the tax payment. Taxpayers should be informed of the convenience fee before the return is filed. EROs should caution taxpayers to ensure, before they file, that the necessary line of credit is available.

■ **Pay by Phone.** Taxpayers can authorize payments using most, but not all, major credit cards by calling a toll-free number. This service is available through a service provider. The service provider will charge a convenience fee based on the amount of the tax payment. Taxpayers will be advised of the fee during the call and can choose to end the call before payment is confirmed. EROs should inform taxpayers of this option and advise them that fees may vary among service providers. Three types of tax payments can be made by phone: current year Form 1040 balance due payments, Form 4868 payments, and Form 1040-ES payments.

**All methods of electronic payment by credit card involve convenience fees.**

■ **Pay via Internet.** Taxpayers can authorize payments using most major credit cards via Internet. This service is available through a service provider. The service provider will charge a convenience fee based on the tax payment. Taxpayers will be advised of the fee during the transaction and can choose to discontinue the transaction before payment is confirmed. EROs should inform taxpayers of this option and advise them that fees may vary by service provider. Three types of tax payments can be made via the Internet: current year Form 1040 balance due payments, Form 4868 payments, and Form 1040-ES payments.

#### **Pay by Check**

Payments may also be made by mailing a check that is accompanied by Form 1040-V, *Payment Voucher*. These forms are found in many tax packages. Taxpayers can also pay by check if electronic payment options fail for any reason. EROs must supply taxpayers with Forms 1040-V, if needed, and help them choose the correct mailing address from the chart on the back of the form. Vouchers do not have to be mailed at the same time the electronic return is transmitted. For example, the ERO may transmit the return in January and the taxpayer can mail the payment and voucher at any time on or before the return due date.

**Vouchers do not have to be mailed at the same time the electronic return is transmitted.**

#### **Installment Agreement Requests**

Taxpayers who cannot pay the amount they owe may submit to the IRS Form 9465, *Installment Agreement Request*. Form 9465 may be transmitted electronically (if supported by the ERO's software) with the taxpayer's electronic return data, or it may be submitted separately, either electronically or on paper, at a later time. If accepted, there is a processing fee for taxpayers to set up the installments.

*Additional information regarding electronic payments, including direct debit and credit card payments, is available at the IRS Digital Daily web site at [www.irs.gov](http://www.irs.gov), click on "Electronic Services", then "Electronic Payments". Other payment options will likely become available in the future. The IRS will publicize them as they become operational.*

**Signatures can be provided electronically or on paper.**

## Signing an Electronic Tax Return

As with a tax return submitted to the IRS on paper, an electronic tax return must be signed by the taxpayer as well as by the paid preparer if applicable. Signatures can be provided to the Service through either of two methods, either with electronic signatures or with signatures on a paper declaration. Electronic return data can be corrected without obtaining a new signature or Authorization if the changes are not more than \$50 to “Total income” or changes of more than \$14 to “Total tax,” “Federal income tax withheld,” “Refund,” or “Amount you owe.” Whether using a paper or electronic signature, EROs must first obtain taxpayers’ signatures authorizing the origination of the electronic submission of return data to the Service.

### Electronic Signatures

Methods for signing a tax return electronically through the use of Personal Identification Numbers (PIN) are available to all EROs. In using this method, taxpayers self-select a PIN and use it to sign the return and the declaration of electronic filing. In addition, the taxpayer must provide information that is used to authenticate the taxpayer’s identity. Taxpayers may also authorize EROs to enter their PINS in the electronic record.

The following taxpayers are eligible to participate:

- Taxpayers who filed Form 1040, 1040A, or 1040EZ the prior tax year;
- Taxpayers who did not have a requirement to file the prior tax year, but have filed previously;
- First time filers who are sixteen or older on or before December 31 of the tax year;
- Military personnel residing overseas with APO/FPO addresses; and
- Taxpayers residing in the American possessions of the Virgin Islands, Puerto Rico, American Samoa, Guam and the Northern Marianas, or with foreign country addresses.



Returns for the following taxpayers are NOT eligible for Self-Select PIN *e-file*:

- Legal or illegal aliens with Social Security Numbers not valid for employment (Citizenship Code of C or D);
- Taxpayers under the age of sixteen; and
- Taxpayers required to file a Form 2120, *Multiple Support Declaration*, Form 8283, *Non-Cash Charitable Contribution*, where third-party signatures are required, or Form 8332, *Release of Claim to Exemption for Children of Divorced or Separated Parents*. These forms need to be attached to a Form 8453 or Form 8453-OL.

If the taxpayer is ineligible to use an electronic signature or chooses not to do so, a signature on a paper declaration must be completed. See Paper Signatures below.

For additional up-to-date information on electronic signature, see Publication 1345A, *Filing Season Supplement for Authorized IRS e-file Providers*.

#### **IRS e-file Signature Authorization**

In some instances, taxpayers may wish to select a PIN, but indicate they are unable to return to the ERO's office to sign their electronically prepared individual tax return. These taxpayers may authorize the ERO to enter their PIN by completing an IRS *e-file* Signature Authorization.

**Taxpayers should be encouraged to personally enter their PIN(s) for a truly paperless filing experience.**

It is preferred that an IRS *e-file* Signature Authorization be presented as an option only when one or both taxpayers indicate they are unavailable to input the PIN(s). Taxpayers should be encouraged to personally enter their PIN(s) for a truly paperless filing experience.

The ERO shall provide the Authorization to those taxpayers who wish to authorize the ERO to enter the taxpayer's PIN. In most instances, the taxpayer will sign and date the Authorization after review of the electronically prepared return.

## The Electronic Return Originator

Taxpayers who provide a completed tax return to an ERO for electronic filing may complete the IRS *e-file* Signature Authorization without reviewing the electronic return. To do so, the line items from the paper return must be manually entered on the IRS *e-file* Signature Authorization prior to the taxpayers selecting their PIN and signing and dating the form.

**Do not send the IRS *e-file* Signature Authorization to the Service unless requested to do so.**

The ERO may use the taxpayer's pre-signed IRS *e-file* Signature Authorization as authority to input the taxpayer's Self-Select PIN only if the information on the electronic version of the tax return agrees with the entries from the paper return.

The ERO must retain the Authorization for three years from the return due date or IRS received date, whichever is later. Do not send the IRS *e-file* Signature Authorization to the Service unless requested to do so.

### Electronic Signatures for Preparers and EROs

If the return is prepared by the ERO that originates the electronic submission of the tax return, the ERO is required to input a PIN as a signature in the electronic return in the location designated for the ERO PIN.

If the return was prepared by other than the ERO that originates the electronic submission, the ERO must ensure that the electronic record contains the return preparer's identifying information (i.e. name, address, and SSN or PTIN). By entering a PIN in the location designated for the ERO PIN in the electronic record, the ERO attests that the return preparer manually signed the paper copy of the return and that the electronic return contains tax information identical to that contained in the paper return.

### Paper Signatures

If providing the signature on a paper declaration, Form 8453, *U.S. Individual Income Tax Declaration for an IRS e-file Return*, must be completed and signed before the electronic data portion of the return is submitted. A substitute Form 8453 requires Service approval prior to its use. The taxpayer's (and spouse's in the case of a joint return) name, address, social security number, and tax return information in the electronic transmission must be identical to the information on the Form 8453 that the

taxpayer signed and provided for submission to the Service. The form must be signed by both the taxpayer (and spouse in the case of a joint return) and the ERO.

■ **Taxpayer(s)**—The taxpayer must sign and date the “Declaration of Taxpayer” section and check the correct box after thoroughly reading the declaration. The taxpayer must verify the information on the electronic portion of the return and on Form 8453. The taxpayer may verify the information on the electronic portion of the return by viewing this information on a computer display terminal. A taxpayer need not verify the electronic portion of the return prior to its transmission if the taxpayer provided a completed paper return for filing and the information on the electronic portion is identical to the information provided by the taxpayer.

■ **The ERO**—The ERO of the return must sign and complete all the requested information in the “Declaration of Electronic Return Originator (ERO) and Paid Preparer” section after thoroughly reading the declaration. EROs may authorize members of their firms or designated employees to sign for them, but EROs are still responsible for all electronically filed returns originated by their firm. EROs do not have to disclose their EIN or SSN on the copies they supply to taxpayers.

■ **Paid Preparer**—If the return was prepared for a fee, then the paid preparer must also sign the Form 8453 and input the paid preparer information into the electronic return. If the paid preparer signs as or for the ERO, the paid preparer may mark the “Check if also paid preparer” box instead of completing the “Paid Preparer Use Only” section. Paid preparers do not have to disclose their SSNs or EINs on the copies they supply to taxpayers. If a taxpayer gives the ERO a return already prepared by a paid preparer who did not sign Form 8453, the ERO must attach a photocopy of pages 1 and 2 of Form 1040, Form 1040A, or Form 1040EZ that contains the paid preparer’s signature to the Form 8453. Write, *Copy—Do Not Process* on both pages.

**EROs are responsible for all electronically filed returns originated by their firm.**

**Sponsors that choose not to sign as EROs must include in the ERO declaration the volunteer's name or acronym.**

■ **Volunteer Program Sponsor**—Unpaid preparers in IRS sponsored programs including Volunteer Income Tax Assistance (VITA), Tax Counseling for the Elderly (TCE), Self-Help and Outreach Programs, and Taxpayer Assistance Centers in IRS offices must identify themselves or the volunteer program on Form 8453. Sponsors are not required to sign Forms 8453 as EROs but may do so. Sponsors that choose not to sign as EROs must include in the ERO declaration the volunteer's name or acronym, and if operating at multiple sites, the site designation number.

■ **Employer Offering IRS e-file as an Employee Benefit**—Employers are not required to sign Form 8453 as EROs but may do so. Employers that choose not to sign as EROs must include in the ERO declaration their name, address, the designation “Employee Benefit,” and, if operating at multiple sites, the site designation number.

#### **Sending Paper Signatures**

After electronic return data is acknowledged as accepted (See Acknowledgments of Transmitted Return Data below), EROs must mail within three business days the corresponding Forms 8453 to the IRS site that acknowledged receipt of the electronic return data. If an electronic signature was used in signing the document, a Form 8453 is not used and is not submitted to the IRS (see Electronic Signatures above). See Publication 1345A for the current mailing address. As a composite tax return is not considered filed until the Forms 8453 are received by the IRS, EROs who are lax, negligent or untimely in mailing Forms 8453 to the IRS may be sanctioned.

The IRS corresponds with EROs when Forms 8453 are not received or are otherwise determined to be missing or incomplete. EROs must supply replacements, complete with attachments. This does not apply to returns that were electronically signed by the taxpayer.

If EROs do not send replacement Forms 8453, complete with attachments, when requested, the IRS will contact the taxpayers to obtain them.

## Submitting the Electronic Return to the IRS

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An ERO must originate the electronic submission of a return as soon as possible after it is signed. An ERO must ensure that stockpiling of returns does not occur at its offices. Stockpiling refers to either collecting returns from taxpayers or from another Authorized IRS *e-file* Provider prior to official acceptance into the Program. Or, after official acceptance in the Program, stockpiling refers to waiting more than three calendar days to submit the return to the Service once the ERO has all necessary information for origination. Returns that are held prior to the date that electronic returns may be transmitted to the IRS are not considered stockpiled. EROs must advise taxpayers that returns will not be transmitted to the Service until electronic returns may be transmitted.

EROs may either transmit returns directly to the IRS or arrange with another Provider to transmit the electronic return to the IRS. (See Chapter 4, The Transmitter, and Intermediate Service Provider in Chapter 5.) If EROs transmit returns directly to the Service, they must adhere to the requirements for Transmitters.

**If EROs transmit returns directly to the Service, they must adhere to Transmitter requirements.**

### Submission of Paper Documents to the Service

The revenue procedure requires that IRS *e-file* returns contain all the same information as returns filed completely on paper. EROs are responsible for ensuring that all paper documents required to complete the filing of returns are submitted to the IRS. If a paper signature is used, attach all appropriate supporting documents that are not included in the electronic return data but must be submitted to the IRS (such as a supporting Form 2120, *Multiple Support Agreement*) to the Form 8453 and send them to the IRS. EROs must sign and ensure the accuracy of the Form 8453. EROs are responsible for ensuring that all paper documents required to complete the filing of returns are submitted to the IRS.

**Be sure to follow each state's rules when state income tax returns are prepared.**

State income tax returns in the Federal/State Program often require that paper documents be prepared and forwarded to state tax administration agencies. Be sure to follow each state's rules when state income tax returns are prepared.

### **ERO Duties After Submitting the Return to the IRS**

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#### **Record Keeping and Documentation Requirements**

An ERO must retain and make available to the Service upon request the following material at the business address from which a return was originated:

- A copy of any signed Forms 8453 and paper copies of Forms W-2, W-2G, and 1099-R as well as any supporting documents that are not included in the electronic return data;
- A copy of any signed IRS *e-file* consent to disclosure forms for taxpayers who provided an electronic signature;
- A complete copy of the electronic portion of the return (which may be retained on magnetic media) that can be readily and accurately converted into an electronic transmission that the Service can process; and
- The acknowledgment file (stating that the Service accepts the electronic portion of the taxpayer's return for processing) received from the Service or from a third party Transmitter.

An ERO must also retain this material until the end of the calendar year in which a return was filed and make available to the Service upon request at either the business address from which the origination of the electronic submission occurred or at the business address of the Responsible Official named on the application. In addition to the above required documents, it is strongly suggested that copies of the IDs used to verify taxpayers' names, TINs, and current addresses are also retained.

An ERO must retain and make available to the Service in the same manner described above, IRS *e-file* Signature Authorization documents for electronic signatures for three years from the due date or IRS received date, whichever is later.

An ERO that is also the paid preparer of the tax return must retain for the prescribed period of time the materials described in §1.6107-1(b) that are required to be kept by the income tax preparer.

#### **Providing Information to the Taxpayer**

The ERO must provide a complete paper copy of the return to the taxpayer. However, the copy need not contain the social security number of the paid preparer. A complete copy of a taxpayer's return includes Form 8453 and other paper documents that cannot be electronically transmitted and a printout of the electronic portion of the return. The electronic portion of the return can be contained on a replica of an official form or on an unofficial form. However, on an unofficial form, data entries must be referenced to the line numbers on an official form. Also, a printout of the electronic portion of the return does not have to be provided to the taxpayer if the taxpayer provided a completed paper return for electronic filing and the information on the electronic portion of the return is identical to the information provided by the taxpayer. The ERO should advise the taxpayer to retain a complete copy of the return and any supporting material.

The ERO should also advise the taxpayer that an amended return, if needed, must be filed as a paper return and mailed to the submission processing center that would handle the taxpayer's paper return. Refer to the current year's tax package for addresses.

#### **Resubmission of Rejected Tax Returns**

If the Service rejects the electronic portion of a taxpayer's return for processing and the reason for the rejection cannot be rectified by the actions

described in Obtaining, Handling and Processing Tax Information from Taxpayers in this chapter, the ERO must take reasonable steps to inform the taxpayer of the rejection within 24 hours. When the ERO advises the taxpayer that the return has not been filed, the ERO must provide the taxpayer with the reject code(s) accompanied by an explanation. If the taxpayer chooses not to have the electronic portion of the return corrected and transmitted to the Service or if it cannot be accepted for processing by the Service, the taxpayer must file a paper return. In order to be filed timely, the paper return must be filed by the later of the due date of the return or ten calendar days after the date the Service gives notification that the electronic portion of the return is rejected or that it cannot be accepted for processing. The paper return should include an explanation of why the return is being filed after the due date.

#### **Acknowledgments of Transmitted Return Data**

The IRS electronically acknowledges the receipt of all transmissions. Individual returns in each transmission are either accepted or rejected for specific reasons. Accepted returns meet the processing criteria and are considered “filed” as soon as the return is signed either electronically or through the receipt by the IRS of a paper signature. Rejected returns fail to meet processing criteria and are considered “not filed.” The acknowledgment identifies the source of the problem using a system of error reject codes and form field numbers (sequence numbers). The error reject codes tell why the return rejected and the form field numbers tell which fields of the electronic return data are involved. Publication 1345A,

*Filing Season Supplement for Authorized IRS e-file Providers of Individual Income Tax Returns*, issued annually, contains information to help identify the cause of the reject.

Rejected electronic return data can be corrected and retransmitted without new signatures or authorizations if changes are not more than \$50 to “Total income” or “AGI” or more than \$14 to “Total tax,”

**Individual returns in each transmission are either accepted or rejected for specific reasons.**



“Federal income tax withheld,” “Refund,” or “Amount you owe.”

Taxpayers must be given paper copies of the new electronic return data. If new signatures are required, the taxpayer must be given copies (either paper or electronic).

The ERO must, at the request of the taxpayer, provide the Declaration Control Number (DCN) and the date the electronic return data was accepted by the IRS. Form 9325, *Acknowledgment and General Information for Taxpayers Who File Returns Electronically*, may be used for this purpose. The ERO must also, if requested, supply the electronic postmark if one was provided by the Transmitter.

In the Federal/State *e-file* Program, if Federal electronic return data rejects due to errors, the state electronic return data also rejects. The converse is also true. That is, if the state electronic return data is rejected by the IRS

because of error, the Federal electronic return data also rejects. Once

both the Federal and state electronic return data is accepted by the

IRS, the subsequent rejection of state electronic return data by a

state tax administration agency will not impact the accepted Federal electronic return data. States determine when state electronic return data received from the Federal/State *e-file* Program is accepted as filed. Contact the state tax administration agency when problems or questions arise.

**In the Federal/State *e-file* Program, if Federal return data rejects due to errors, the state data also rejects.**

#### **Advising Taxpayers about TeleTax**

EROs should tell taxpayers how to follow up on returns and refunds by pointing out the TeleTax section contained in current IRS tax packages. If taxpayers do not have tax packages, the ERO should provide taxpayers with TeleTax information. The TeleTax number is 1-800-829-4477 (toll-free) and will have information about taxpayers' refunds (when it becomes available).

To call TeleTax, taxpayers will need to enter the first Social Security Number shown on their tax return, the filing status, and the exact

**Since TeleTax is updated each weekend, advise taxpayers not to call more than once a week.**

amount of the refund in whole dollars. Before checking on refunds, taxpayers should wait at least three weeks from the time the return data is acknowledged as accepted (See Acknowledgments of Transmitted Return Data above). Because TeleTax is updated each weekend, taxpayers should be advised not to call more than once a week. This will save taxpayers from making phone calls to TeleTax with no possibility of success.

### **Refund Delays**

Taxpayers often ask EROs to help them when refunds take longer than expected. Refunds may be delayed for a number of reasons, including the following:

- Errors in Direct Deposit information (refunds will then be sent by check);
- Financial institution refusals of Direct Deposits (refunds will then be sent by check), or delays in crediting the Direct Deposit to the taxpayer's account;
- Estimated tax payments differ from amount reported on tax return (for example, fourth quarter payments not yet on file when return data is transmitted);
- Bankruptcy;
- Inappropriate claims for the Earned Income Tax Credit; or
- Recertifications to claim the Earned Income Tax Credit.

Taxpayers will receive a letter or notice explaining the issue(s) and how to resolve the issue(s). The letter or notice will contain the contact telephone number that the taxpayer can use for further assistance.

If taxpayers' refunds are lost or misapplied, taxpayers do not receive notices or letters, or there is no information on TeleTax (see Advising Taxpayers about TeleTax in this chapter), advise taxpayers to call the IRS Tax Help number listed in tax packages.

## Refund Offsets

The IRS offsets as much of the refund as is needed to pay off overdue taxes owed by taxpayers and notifies them when this occurs. The Financial Management Service (FMS) offsets taxpayers' refunds to pay off past-due child support or Federal agency debts such as student loans. Offsets to non-tax debts occur after the IRS has certified the refunds to FMS for payment but before FMS makes the Direct Deposits or issues the paper checks. Refund offsets reduce the amount of the expected Direct Deposit or paper check but they do not delay the issuance of the remaining refund (if any) after offset. If taxpayers owe non-tax debts they may contact the agency they owe, prior to filing their returns, to determine if their debts were submitted for refund offset. The IRS cannot determine prior to the filing of a return whether refunds will be offset for non-tax debts.

**FMS sends taxpayers offset notices if any part of their refund is applied to non-tax debts.**

FMS sends taxpayers offset notices if any part of their refund is applied to non-tax debts. Taxpayers should contact the agencies identified in the FMS offset notice when offsets occur if they dispute the non-tax debts or have questions about the offsets. If a refund is in a joint name but only one spouse owed the debt, the "injured spouse" should file Form 8379, *Injured Spouse Claim and Allocation*. While the Form 8379 can be filed electronically, processing of refunds may be delayed.

## Business Considerations

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### Advertising and Promotion

The IRS supports individual ERO promotional efforts by annually creating and distributing an IRS *e-file* Marketing Tool Kit. EROs receive a kit when they are accepted into the IRS *e-file* Program. EROs in good standing with up-to-date address information will automatically receive a kit when they are distributed.

## The Electronic Return Originator

**Pre-filing season promotion is critical—Americans are attuned to tax law changes and filing options at that time.**

The kit contains professionally developed material that EROs can customize for use in advertising campaigns and promotional efforts. It includes window stickers for on-premise advertising, postcard templates for large quantity print productions, posters for local distribution and live-read scripts for radio promotion. From year to year, if you are an ERO in good standing and your address information in our records is up-to-date, you will automatically receive a kit as they are distributed.

In addition to the Kit material, the IRS supports ERO advertising and promotion by placing Public Service Announcements, via television, radio and print media, to create full multi-media program exposure for IRS *e-file* prior to and during the filing season. Pre-filing season promotion is critical because it is the time of year when Americans begin to think about their annual filing obligations and are attuned to new key messages, particularly those relating to tax law changes and available filing options.

EROs may develop their own advertising that includes the IRS *e-file* brand name but must abide by the advertising standards for all Providers as discussed in Chapter 6. In addition to the advertising standards common to all Providers, there are additional responsibilities in an ERO's advertising. An ERO must clearly display its name wherever it does business. The Service will hold the ERO responsible for any violation of the advertising standards described in Chapter 6 of this publication associated with the return collection site.

### **Refund Anticipation Loans**

A Refund Anticipation Loan (RAL) is money borrowed by a taxpayer from a lender based on the taxpayer's anticipated income tax refund. The IRS is in no way involved in or responsible for RALs. All parties to RAL agreements, including EROs, must ensure that taxpayers understand

**All parties to RAL agreements must ensure that taxpayers understand RALs are interest bearing loans.**

that RALs are interest bearing loans and not substitutes for or a faster way of receiving a refund. The ERO should advise the taxpayer that if a Direct Deposit is not received within the expected time frame for whatever reason, the taxpayer may be liable to the lender for additional interest on the RAL. EROs are responsible for ensuring that RAL Indicators are included in the electronic return data that is transmitted to the IRS.

Because RALs are often repaid by the Direct Deposit of refunds into special RAL accounts, there are no guarantees that refunds will be deposited within a specified time. For example, a refund may be delayed due to processing problems or, some or all of the refund may be offset (see Refund Offsets in this chapter). The Department of the Treasury is not liable for any loss suffered by taxpayers, EROs, or financial institutions resulting from reduced refunds or Direct Deposits not being honored causing refunds to be issued by check.

An Authorized IRS *e-file* Provider may disclose tax information to the lending financial institution in connection with an application for a RAL only with the taxpayer's written consent as specified in 301.7216-3(b).

An Authorized IRS *e-file* Provider that is also the return preparer, and the financial institution or other lender that makes a RAL cannot be related taxpayers within the meaning of §267 or §707. A \$500 penalty may be imposed, per §6695(f), on a return preparer who endorses or negotiates a refund check issued to any taxpayer other than the return preparer. The prohibition on return preparers negotiating a refund check is limited to a refund check for returns that they prepared. A preparer that is also a financial institution, but who has not made a loan to the taxpayer on the basis of the taxpayer's anticipated refund, may cash a refund check and remit all of the cash to the taxpayer or accept a refund check for deposit in full to a taxpayer's account provided the bank does not initially endorse

or negotiate the check; or, endorse a refund check for deposit in full to a taxpayer's account pursuant to a written authorization of the taxpayer. A preparer bank may also subsequently endorse or negotiate a refund check as part of the check-clearing process through the financial system after initial endorsement. Any income tax return preparer that violates this provision may be sanctioned.

For additional information on RALs, see Advertising Standards in Chapter 6 and Fee Restrictions below.

#### **Fee Restrictions**

Authorized IRS *e-file* Providers may not base their fees on a percentage of the refund amount or compute their fees using any figure from tax returns. Separate fees may not be charged for Direct Deposits.

**RAL fees must be identical for all customers and unrelated to the amount of the refund or RAL.**

An Authorized IRS *e-file* Provider may assist a taxpayer in applying for a RAL and may charge a flat fee for that assistance. However, the fee must be identical for all customers and must not be related to the amount of the refund or a RAL.

The Provider must not accept a fee from a financial institution for any service connected with a RAL that is contingent upon the amount of the refund or a RAL. The Service has no responsibility for the payment of any fees associated with the preparation of a return, the transmission of the electronic portion of a return, or a RAL.

#### **Other EROs**

##### **IRS Sponsored Volunteer Programs**

Often individuals or organizations that serve as unpaid preparers in IRS sponsored programs including Volunteer Income Tax Assistance (VITA), Tax Counseling for the Elderly (TCE), Self-Help and Outreach Programs, and Taxpayer Assistance Centers in IRS offices may then electronically

file those returns. The duties and expectations differ somewhat for IRS sponsored volunteer programs. However, unless otherwise noted, all requirements of an Authorized IRS *e-file* Provider continue to apply. In order to be accepted into the IRS *e-file* Program, a VITA or TCE sponsor must obtain the permission of the Service (and, in the case of a TCE sponsor, the permission of the Service office that is funding the TCE program) to provide electronic filing. A manual or electronic quality review system is required to review each electronically filed return. The Service may designate an individual for this purpose.

The Service will advise the VITA or TCE sponsor how to submit or transmit returns. Some options available to the Service include:

- Submission of returns by VITA or TCE sponsors on paper, magnetic disk, or in an electronic transmission to a designated IRS office;
- Submission of returns by VITA or TCE sponsors via direct transmission to the IRS; or
- Submission of returns by VITA or TCE sponsors through a third party transmitter.

When using Form 8453 to sign the tax return, a VITA or TCE sponsor is not required to sign Form 8453 as an ERO. However, sponsors that choose not to sign as EROs must include the volunteer program's name or acronym in the ERO declaration and the site designation number if operating at multiple sites.

**The Service will advise the VITA or TCE sponsor how to submit or transmit returns.**

A VITA or TCE sponsor can only accept a return for electronic filing that meets the criteria for VITA or TCE assistance. Only returns and accompanying forms and schedules included in a VITA, or TCE training course may be accepted for electronic filing by a VITA or TCE sponsor.

A VITA or TCE sponsor and the Service may enter into an agreement that provides for the retention of copies of tax returns, Forms 8453, and IRS *e-file* Signature Authorizations by the Service. This information must

**A VITA or TCE sponsor can only accept a return for electronic filing that meets VITA or TCE assistance criteria.**

be retained by either the VITA or TCE sponsor or by the Service. This information must not be given to a third party, including a third party Transmitter. The Service is responsible for ensuring that Form 8453 is sent to the appropriate IRS office or submission processing center. However, the Service may delegate to the VITA or TCE sponsor the responsibility for mailing Form 8453 to the appropriate local office or submission processing center.

#### **Employers Offering IRS *e-file* as an Employee Benefit**

The following procedures apply to employers who choose to offer electronic filing as an employee benefit to business owners and spouses, employees and spouses, and/or dependents of business owners and employees. These rules do not apply if an employer contracts with an ERO to originate the electronic submission of the tax return.

An employer may offer electronic filing as an employee benefit whether the employer chooses to transmit tax returns or contracts with a third party to transmit the tax returns. If an employer contracts with a third party to transmit tax returns, the employer may collect from participating employees a fee that is directly related to defraying the actual cost of transmitting the electronic portion of the tax return.

An employer is not required to sign Form 8453 as an ERO. However, if the employer chooses not to sign Form 8453, the employer must otherwise furnish on Form 8453 its name, address and the designation “Employee Benefit” and, if operating from multiple sites, a site designation number.

An employer and the Service may enter into an agreement that provides for the retention of copies of tax returns including Forms 8453 and IRS *e-file* Signature Authorizations. In the absence of such an agreement, the employer must retain this information. This information is not to be given to a third party, including a third party Transmitter.



### **Safeguarding the IRS *e-file* Program from Abuse and Fraud**

While all Authorized IRS *e-file* Providers must be on the lookout for fraud and abuse in the IRS *e-file* Program, EROs must be particularly diligent while acting in their capacity as the first contact with taxpayers filing a return. Neither EROs nor the IRS benefit when the integrity and reputation of the IRS *e-file* Program is tarnished by fraud or allegations of abuse. EROs with problems involving fraud and abuse may be suspended from the IRS *e-file* Program, be assessed civil and preparer penalties or be subject to legal action.

**EROs must be particularly diligent in their capacity as the first contact with taxpayers.**

An ERO should always seek to recognize and prevent fraud and abuse of the IRS *e-file* Program. Confirm taxpayer identities and TINs. Be on the lookout for altered taxpayer information documents. Exercise due diligence in the preparation of returns involving the Earned Income Tax Credit (EITC), as it is a popular target for fraud and abuse schemes. Section 6695(g) of the Internal Revenue Code requires paid preparers to exercise due diligence in the preparation of returns involving EITC. Be sure to complete all required worksheets and meet all record keeping requirements.

Finally, any time you observe or become aware of suspicious activity, report it to the IRS by calling 1-800-829-0433 (toll-free).

# The Transmitter

A Transmitter transmits electronic tax return information directly to the Service. A bump-up service provider that increases the transmission rate or line speed of formatted or reformatted information that is being sent to the Service via a public switched telephone network is also a Transmitter. The Service accepts transmissions using a variety of telecommunication protocols. In order to transmit electronic return data directly to the IRS, Transmitters must be equipped with both computer hardware and software that make it possible. Software used must meet IRS specifications. See IRS *e-file* publications in Chapter 1.

Transmitters are required to have Electronic Transmitter Identification Numbers (ETIN) and must pass the Participants Acceptance Test (PATS) each year before the Service will issue acceptance letters. See PATS Testing in this chapter.

## IRS *e-file* Program Requirements

The software purchased from vendors or Software Developers should meet IRS specifications for transmitting return data to the IRS.

Prior to transmitting return data to the Service, you must have submitted an application requesting the “transmitter” option and specifying the submission processing centers to which you will be transmitting. You must have received an ETIN and passwords for testing. You must have completed the PATS testing that ensures the compatibility of your transmission systems with IRS systems (these tests are also referred to as communications tests). Finally, upon completion of PATS testing, you must have received and acknowledged passwords that enable transmission of electronic return data to the IRS.

**Software purchased from vendors or Software Developers should meet IRS specifications.**

In fulfilling the requirements of a Provider that participates in the Program as a Transmitter you must:

- 1.** Send to the Service all electronic portions of returns within three calendar days of receipt;
- 2.** Retrieve the acknowledgment file within two work days of transmission;
- 3.** Match the acknowledgment file to the original transmission file and send the acknowledgment file to the ERO or Intermediate Service Provider (whether or not the ERO or Intermediate Service Provider are related to the Transmitter) within two work days of retrieving the acknowledgment file;
- 4.** Retain an acknowledgment file received from the Service until the end of the calendar year in which the electronic return was filed;
- 5.** Immediately contact the appropriate submission processing center for further instructions if an acknowledgment of acceptance for processing has not been received by the Transmitter within two work days of transmission or if a Transmitter receives an acknowledgment for a return that was not transmitted on the designated transmission;
- 6.** Promptly correct any transmission error that causes an electronic transmission to be rejected;
- 7.** Contact the submission processing center that rejected the electronic portion of the return for assistance if that portion of the return has been rejected after three transmission attempts;
- 8.** Ensure the security of all transmitted data;
- 9.** Ensure against the unauthorized use of its EFIN or ETIN. A Transmitter must not transfer its EFIN or ETIN by sale, merger, loan, gift, or otherwise to another entity; and
- 10.** Not use software that has a Service assigned production password built into the software.

**In Federal/State *e-file*, both Federal and state electronic return data is transmitted to the IRS.**

### **Transmitting for Federal/State *e-file***

If you participate in Federal/State *e-file*, the software should meet both IRS and state specifications. However, before electronic return data can be transmitted (in Federal/State *e-file*, both Federal and state electronic return data is transmitted to the IRS) all requirements for transmitting electronic data in the IRS *e-file* Program must be met. Contact the appropriate state coordinator for additional requirements specific to that state.

### **Additional Responsibilities for Participants in On-Line Filing**

In addition to requirements of all Transmitters in the IRS *e-file* Program, a Transmitter that participates in On-Line Filing has some additional responsibilities.

When participating in On-Line Filing, the Transmitter must:

- 1.** Ensure that it uses an EFIN or ETIN obtained for On-Line Filing;
- 2.** Ensure that Intermediate Service Provider's EFIN is included in the electronic return data, when applicable;
- 3.** Transmit in separate batches returns filed via On-Line Filing and returns filed using an ERO;
- 4.** Assign a Declaration Control Number (DCN) to the electronic portion of each return received from a taxpayer;
- 5.** Include the assigned DCN in the transmission of the electronic return data to the Service;
- 6.** Send the transmission to the appropriate IRS submission processing center based on the state code in the taxpayer's return address;
- 7.** Notify the taxpayer of the status of a return by sending an electronic transmission to the taxpayer or the Intermediate Service Provider, when applicable, within two work days of retrieving the acknowledgment file from the Service or by mailing a written notification to the taxpayer within one work day of retrieving the acknowledgment file;

**8.** Ensure that it does not transmit or accept for transmission more than five electronic returns originating from one software package or from one e-mail address;

**9.** Provide the Internet Protocol (IP) information. The information consists of the IP Address, and in addition, the IP Date and IP Time (if available);

**10.** Not allow more than 5 On-Line returns from the same IP Address within a sixty minute timeframe;

**11.** Not enter into agreements with companies to allow access to On-Line Filing without the company being able to trace the IP Address to a particular computer at a particular date and time; and

**12.** Include the letter “O” in the “Transmission Type Code” field of the Trans Record “A.”

**Transmitters that participate in On-Line Filing have some additional responsibilities.**

The Transmitter must notify the taxpayer of the following if the Service accepts the electronic portion of a taxpayer’s return:

- The date the transmission was accepted;
- The DCN;
- Where to put the DCN on Form 8453-OL;
- The requirement to properly complete and timely submit a Form 8453-OL with accompanying paper documents within one business day;
- The appropriate submission processing center’s address to which Form 8453-OL with accompanying paper documents must be sent;
- That a Form 8453-OL must be received by the Service, when applicable, before an On-Line filed return is complete.

The Transmitter must notify the taxpayer of the following if the Service rejects the electronic portion of a taxpayer's return:

- That the Service rejected the electronic portion of the taxpayer's return;
- The date of the rejection;
- What the reject code(s) mean;
- What steps the taxpayer needs to take to correct the error that caused the rejection; and
- That if the taxpayer chooses not to have the electronic portion of the return corrected and transmitted to the Service, or, if the electronic portion of the return cannot be accepted for processing by the Service, the taxpayer must file a paper return. In order to be filed timely, the paper return must be filed by the later of the due date of the return or ten calendar days after the date the Service gives notification that the electronic portion of the return is rejected or that it cannot be accepted for processing. The paper return should include an explanation of why the return is being filed after the due date.

A Transmitter that receives returns from an Intermediate Service Provider for On-Line Filing must adhere to the same requirements as a Transmitter that transmits returns received from Intermediate Service Providers.

### **PATS Testing**

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#### **What is PATS Testing?**

Participants Acceptance Testing System (PATS) is a testing requirement for Software Developers and Transmitters planning to transmit electronic returns to IRS. The purpose of PATS testing is to ensure, prior to live processing, that Providers transmit in the correct format and meet the IRS electronic filing specifications; that returns have few validation or math errors; that required fields will post to the IRS Master File; and that Providers understand and are familiar with the mechanics of *e-filing*.

### **Who Must PATS Test?**

Software Developers must PATS Test as prescribed in Publication 1436, *Test Package for Electronic Filers of Individual Income Tax Returns*.

Transmitters perform a PATS communications test. Most software packages (IRS accepted *e-file* software) have PATS communications tests built in so that completing this requirement is relatively easy. Follow the direction in the software or documentation package. If you have problems, you should contact the vendor who sold you the software or the technical support operation that comes with the software package.

PATS communication tests consist of two transmissions of test electronic return data, three test returns in one transmission and two test returns in the other. Both transmissions must be made on the same day. To pass the test, both transmissions must be error free.

If you plan to transmit returns to both IRS submission processing centers that accept electronic transmissions of tax returns, you must be accepted by your primary submission processing center prior to testing with the other service center.

If the software appears to be working correctly but you are unable to complete the tests, do not receive acknowledgment files, or experience other problems, contact the submission processing center with which the test is being conducted. Current telephone numbers can be found in Publication 1345A, *Filing Season Supplement for Authorized IRS e-file Providers of Individual Income Tax Returns*.

If your software does not have IRS *e-file* PATS communication tests built in, Publication 1436, *Test Package for Electronic Filers of Individual Income Tax Returns* contains directions and all information that you will need to complete PATS communications testing. You may order this publication by calling 1-800-829-3676 (toll-free).

**Most IRS-accepted software has PATS testing built right in, so completing this requirement is easy.**

**Transmitters must acknowledge receipt of passwords within five days or they will be invalid.**

### Passwords

Passwords are required to transmit returns directly to the IRS. Passwords are issued annually and mailed (usually by early December) to all Authorized IRS *e-file* Providers with ETINs. Providers will receive their passwords if all of the following are true:

- Their mailing address is up to date on IRS records;
- They transmitted at least one return that was acknowledged as accepted in the previous year's IRS *e-file* Program;
- They are not suspended from the IRS *e-file* Program;
- They have not been dropped from the IRS *e-file* Program; and
- They have passed the annual suitability check. See Annual Suitability Checks in Chapter 2.

Transmitters must acknowledge receipt of their passwords within five days or the passwords will be rendered invalid. Follow the instructions in the letter. Transmitters that have not received their passwords by the beginning of January should call the IRS at 1-800-691-1894 (toll-free).

### New Transmitters

An application to become a new Transmitter should be submitted as early as possible to ensure that all requirements can be met in time for the beginning of the filing season. Passwords will be issued in early December for applicants who apply before November 1. After that time, passwords will not be issued until after PATS communications testing is completed. This means that passwords may not be received for up to ten days after the completion of the testing. Passwords cannot be given over the phone. Providers that apply to become Transmitters are not precluded from using the services of other accepted Transmitters.



## Electronic Postmark

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A Transmitter may provide an electronic postmark to taxpayers that file Individual Income Tax Returns and Extensions of Time to File Individual Income Tax Returns through an ERO or through On-Line Filing. The

**The taxpayer must adjust the electronic postmark to their time zone.**

Transmitter creates the electronic postmark bearing the date and time (in the Transmitter's time zone) that the return is received at the Transmitter's host computer. The taxpayer must adjust the electronic postmark to the time zone where the ERO is located or where the taxpayer resides in the case of On-Line Filing to determine the postmark's actual time. For example, if the Transmitter provides an electronic postmark with a time in the Pacific Time Zone but the taxpayer resides in the Eastern Time Zone, the taxpayer must add three hours to the postmark time to determine the actual postmark time (Eastern Time Zone).

**If a return is rejected, a corrected return must be filed by the deadline for timely filing.**

If the electronic postmark is on or before the prescribed deadline for filing but the return is received by the IRS after the prescribed deadline for filing, the return will be treated as filed on the electronic postmark's date. In order for a return to be treated as filed on the electronic postmark's date, all requirements for signing the return and completing a paper declaration must be met. If the electronic postmark is after the prescribed deadline for filing, the IRS actual receipt date, not the date of the electronic postmark will be the filing date. If a return is rejected, a corrected return must be filed in accordance with the rules for timely filing corrected returns after rejection of an electronic return. Taxpayers are responsible for timely filing their tax returns.

A Transmitter is authorized to provide an electronic postmark if the Transmitter:

- a)** Creates an electronic postmark bearing the date and time (in the Transmitter's time zone) the return was received by the Transmitter's host system;
- b)** Provides the electronic postmark to the taxpayer or the ERO no later than when the acknowledgment is made available to the taxpayer, in a format that precludes alteration and manipulation of the electronic postmark information;
- c)** Provides the same electronic postmark data to the IRS in the electronic record of the return;
- d)** Provides taxpayers with an explanation of the electronic postmark and when the IRS treats the electronic postmark as the filing date;
- e)** Refrains from using terms that currently have specific meaning in the postal industry such as "certified" or "registered" and similar terms, and from using "Internal Revenue Service", "IRS" or "Federal" as a definer of the electronic postmark when discussing the electronic postmark, including in all advertising, product packaging, articles, press releases, and other presentations;
- f)** Retains a record of each electronic postmark until the end of the calendar year and provides the record to the IRS upon request;
- g)** Transmits all tax returns and extensions of time to file that received an electronic postmark to the IRS within two (2) days of receipt from the ERO, or from the taxpayer in the case of On-Line Filing; and
- h)** Retains the original electronic postmark of the rejected return for a corrected return that is received by the Transmitter through the last date for retransmitting rejected returns and creates a new postmark for all returns, including corrected returns received after the last date for retransmitting returns. All corrected returns retaining an electronic postmark of a date

through the prescribed last day of filing must be transmitted to the IRS within two days of the date the return was received by the Transmitter or the twenty second day of the respective month of the prescribed due date, whichever is earlier.

### Program Integrity

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**Transmitters must accept returns for transmission only from other Authorized e-file Providers.**

In addition to the requirements for protecting the integrity of the IRS *e-file* Program that are shown in Chapter 6, Transmitters have some additional responsibilities.

A Transmitter must accept electronic returns for transmission to the Service only from other Authorized IRS *e-file* Providers. A Transmitter must include the EFIN of other Providers on each return that the Transmitter accepts. If applicable, the Transmitter must also include the appropriate EFIN/Service Bureau Identification Number (SBIN) if an Intermediate Service Provider formats the return information.

Under §301.7216-2(h), disclosure of tax return information among Authorized IRS *e-file* Providers for the purpose of preparing a tax return is permissible. For example, an ERO may pass on tax

**Transmitters must include the EFINs of other Providers on each return accepted.**

return information to an Intermediate Service Provider and/or a Transmitter for the purpose of having an electronic return formatted and transmitted to the Service. However, if the tax return information is disclosed or used in any other way, an Intermediate Service Provider and/or a Transmitter may be subject to the penalties described in §301-7216-1(a) and/or the civil penalties in §6713 for unauthorized disclosure or use of tax return information.

A Transmitter of returns for On-Line Filing may not offer, nor in any way participate in or facilitate, a Refund Anticipation Loan (RAL) in connection with any return filed using On-Line Filing. See Chapter 3 for additional information about RALs.

# Other Authorized IRS *e-file* Providers

In addition to the Electronic Return Originators and Transmitters previously discussed, there are two other categories of Authorized IRS *e-file* Providers, the Intermediate Service Provider and the Software Developer.

## Intermediate Service Providers

**An Intermediate Service Provider receives and processes tax information, then prepares it for transmission.**

An Intermediate Service Provider receives tax information from an ERO (or from a taxpayer who files electronically using a personal computer, modem, and commercial tax preparation software), processes the tax return information, and either forwards the information to a Transmitter or sends the information back to the ERO or taxpayer (for On-Line Filing).

### IRS *e-file* Program Requirements

An Authorized IRS *e-file* Provider participating as an Intermediate Service Provider must meet the following responsibilities to participate in the IRS *e-file* Program. The Intermediate Service Provider must:

1. Include its Service Bureau Identification Number (SBIN) or Electronic Filing Identification Number (EFIN) (as applicable) and the ERO's EFIN with all return information the Intermediate Service Provider forwards to a Transmitter or sends back to an ERO;
2. Serve as a contact point between its client EROs and the Service, if requested;
3. Provide the Service with a list of each client ERO, if requested;
4. Deliver all electronic returns to a Transmitter or the ERO who gave the electronic returns to the Intermediate Service Provider within three calendar days of receipt;
5. Retrieve the acknowledgment file from the Transmitter within one calendar day of receipt by the Transmitter and send the acknowledgment

file to the ERO (whether related or not) within one work day of retrieving it;

- 6.** Retain each acknowledgment file received from a Transmitter until the end of the calendar year in which the electronic return was filed;
- 7.** Input the addresses on a Form W-2, W-2G, 1099-R, or Schedule C when they differ from the taxpayer's address on the electronic Form 1040 if inputting the electronic data; and
- 8.** Send any return and Form 8453 that need the changes described in Chapter 3 back to the ERO for correction.

#### **Additional Responsibilities for Participants in On-Line Filing**

When a return is filed using On-Line Filing, the Intermediate Service Provider processes information for a taxpayer so that a Transmitter can send the electronic return to the Service. In so doing, the Intermediate Service Provider must:

- 1.** Ensure that it uses an EFIN obtained for On-Line Filing;
- 2.** Ensure that its On-Line Filing EFIN is included in the electronic return data, when applicable;
- 3.** Assign a Declaration Control Number (DCN) to the electronic portion of each return received from a taxpayer;
- 4.** Send the transmission to the Transmitter within 24 hours of the receipt of the return from the taxpayer;
- 5.** Ensure that no more than five tax returns are filed electronically by one taxpayer;
- 6.** Ensure that software used by the taxpayer does not have a Service-assigned production password built into the software; and
- 7.** Immediately forward to the taxpayer information received from the Transmitter as required for On-Line Filing. For example, a Transmitter receives information from the IRS regarding the status of the electronic portion of a taxpayer's return. See Chapter 4, Additional Responsibilities for Participants in On-Line Filing.

**Program Integrity**

In addition to the responsibilities of all Authorized IRS *e-file* Providers as shown in Chapter 6 to ensure the integrity of the IRS *e-file* Program, Intermediate Service Providers have the following responsibilities specific to their category.

An Intermediate Service Provider must ensure against the unauthorized use of its SBIN, if one has been assigned. An Intermediate Service Provider must not transfer its SBIN by sale, merger, loan, gift or otherwise to another entity. An Intermediate Service Provider can accept return information only from other Authorized IRS *e-file* Providers. Under §301.7216-2(h), disclosure of tax return information among Authorized IRS *e-file* Providers for the purpose of preparing a tax return is permissible. For example, an ERO may pass on tax return information to an Intermediate Service Provider and/or a Transmitter for the purpose of having an electronic return formatted and transmitted to the Service. However, if the tax return information is disclosed or used in any other way, an Intermediate Service Provider and/or a Transmitter may be subject to the penalties described in §301.7216-1(a) and/or the civil penalties in §6713 for unauthorized disclosure or use of tax return information.

An Intermediate Service Provider for On-Line Filing may not offer, nor in any way participate in or facilitate, a Refund Anticipation Loan (RAL) in connection with any return filed using On-Line Filing. A RAL is money borrowed by a taxpayer that is based on a taxpayer's anticipated income tax refund. See Chapter 3 for additional information about RALs.

**Software Developers**

A Software Developer develops software for the purposes of formatting electronic tax return information according to Publication 1346, *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*, and/or transmitting electronic tax return information directly to the Service.

**Software Developers  
must successfully complete  
PATS testing each  
filing season.**

A list of supporting On-Line Filing tax preparation software and participating On-Line Filing companies is posted on the IRS web site, [www.irs.gov](http://www.irs.gov). Click on “Electronic Services.” Refer to Chapter 1 for obtaining additional information about On-Line Filing.

### **IRS *e-file* Program Requirements**

A Provider that intends to participate as a Software Developer must first successfully complete, for each filing season, the testing referred to as PATS. See Chapter 4 for additional information.

A Software Developer must:

- 1.** Promptly correct any software error which causes the electronic portion of a return to be rejected and then promptly distribute that correction;
- 2.** Ensure that any software package that will be used to transmit electronic portions of returns from multiple Authorized IRS *e-file* Providers has the capability of combining returns from these Providers into one Service transmission file taking into account the sorting requirements of the Declaration Control Number (DCN);
- 3.** Ensure that a Service assigned production password is not incorporated into its software;
- 4.** Provide a copy of the software and accompanying documentation (a demonstration package is sufficient) to the IRS Headquarters Individual Tax Products Branch, if requested, upon successful completion of the communication testing;
- 5.** Ensure that software contains appropriate language and version indicators for Consent To Disclose and Jurat statements; and
- 6.** Ensure that software contains IRS *e-file* Signature Authorization.

### **Additional Responsibilities for Participants in On-Line Filing**

A Software Developer that participates in On-Line Filing must also:

- 1.** Ensure that its software package cannot be used to transmit more than five electronic returns;

2. Ensure that its software, if available for use on an Internet web site, cannot be used to file more than five electronic returns from one e-mail address;
3. Ensure that its software contains a Form 8453-OL format that can be printed and used by a taxpayer to file with the Service;
4. Ensure that its software contains a Form 1040-V, *Payment Voucher* that can be printed and used by a taxpayer to file with the Service;
5. Ensure that its On-Line software contains appropriate language and version indicators for the Consent To Disclosure and Jurat statements;
6. Provide a copy of the software and accompanying documentation (a demonstration package is sufficient) to the IRS Headquarters On-Line Filing Analyst upon successful completion of the testing described in this publication (See Reporting Changes in the On-Line Filing Program in Chapter 2); and
7. Ensure the Internet Protocol (IP) statement is present.

#### **Program Integrity**

If an Authorized IRS *e-file* Provider is a Software Developer that performs no other function in the IRS *e-file* Program but software development, a principal or Responsible Official does not have to pass a suitability check during the application process. If a Software Developer performs the function of one of the other Provider categories in addition to that of software development, then suitability checks will apply.

A Software Developer participating in On-Line Filing must notify the Service of its intention to participate as an Intermediate Service Provider for On-Line Filing and pass suitability prior to its participation in On-Line Filing. See Reporting Changes to Your IRS *e-file* Business to the IRS in Chapter 2.

The Software Developer must ensure that no other entity uses its EFIN or ETIN. A Software Developer must not transfer by sale, merger, loan, gift, or otherwise its EFIN or ETIN to another entity.



# Safeguarding the IRS *e-file* Program

The safeguarding of the IRS *e-file* Program from abuse or fraud is the shared responsibility of the Service and Authorized IRS *e-file* Providers. As such, Providers must appoint an individual who is responsible for ensuring that all requirements of the program are met and the Service will monitor Providers for adherence to those requirements in order to inspire confidence in the IRS *e-file* Program among taxpayers. The Service may sanction an Authorized IRS *e-file* Provider for violating any provision of the Revenue Procedure as well as any publications or notices governing the IRS *e-file* Program.

## Program Requirements

All Authorized IRS *e-file* Providers must fulfill program requirements to continue participation in the IRS *e-file* Program. Program requirements are included in Revenue Procedure 2000-31, throughout this publication, and in other publications and notices that govern the IRS *e-file* Program. Adherence to all requirements is expected of all Providers regardless of where they are published. Some requirements are specific to the category of Provider and are included in appropriate chapters of this publication. The following list, while not all-inclusive, applies to all Authorized IRS *e-file* Providers, excepting only Software Developers who do not engage in any other IRS *e-file* activity. A Provider must:

1. Format individual transmissions accurately;
2. Maintain an acceptable cumulative error or reject rate;
3. Adhere to the requirements for ensuring that tax returns are properly signed and only provide legible, complete, and approved substitute paper declarations;

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IRS *e-file* Program

- 4.** Adhere to requirements for timely origination and transmission of tax returns as well as for the timely retrieval and providing of acknowledgment files;
- 5.** Ensure against the unauthorized use of its EFIN and/or ETIN;
- 6.** Have only one EFIN for the same business entity at the same location unless the Service has issued more than one EFIN to a business entity for use at that location. For this purpose, the business entity is generally the entity that reports on its return the income derived from electronic filing. The Service may, for example, issue more than one EFIN to accommodate a high volume of returns;
- 7.** Include an Intermediate Service Provider's EFIN (or SBIN if the Intermediate Service Provider does not have an EFIN) in the transmission of a return submitted by an Intermediate Service Provider;
- 8.** Cooperate with the Service's efforts to monitor Authorized IRS *e-file* Providers and investigate electronic filing abuse;
- 9.** Properly use the standard/non-standard Form W-2 indicator;
- 10.** Properly use the Refund Anticipation Loan (RAL) indicator;
- 11.** Include the ERO's EFIN as part of a return that the ERO submits to the Intermediate Service Provider or the Transmitter;
- 12.** Adhere to the advertising standards described in this publication;
- 13.** Maintain and make available records as described in this publication;
- 14.** Accept tax returns only from taxpayers and Authorized IRS *e-file* Providers;
- 15.** Submit an electronic return to the IRS with information that is identical to the information provided to the taxpayer on the copy of the return and the paper declaration;
- 16.** Notify the Service of changes as described in this publication in a timely manner; and

**Adherence to all requirements is expected of Providers, regardless of where they are published.**

**17.** Comply with provisions of an implementing document for any pilot program in which the Authorized IRS *e-file* Provider participates.

The failure of a Provider to comply with any requirement or any provision of this publication as well as other publication and notices that govern the IRS *e-file* Program may be sanctioned. A Provider may also be sanctioned for the same reasons that an application may be denied. See Sanctioning By the IRS in Chapter 6.

### **Program Requirements for On-Line Filing**

In addition to the above, participants in On-Line Filing must adhere to the following:

- 1.** An Intermediate Service Provider must ensure that no more than five tax returns are filed electronically by one taxpayer;
- 2.** A Transmitter must ensure that it does not transmit or accept for transmission more than five electronic returns originating from one software package or one e-mail address;
- 3.** An Intermediate Service Provider or Transmitter must supply a taxpayer with an accurate DCN; and
- 4.** An Intermediate Service Provider or Transmitter must give effective instructions to a taxpayer concerning the entry of the DCN on Form 8453-OL.

### **Advertising Standards**

We have established “IRS *e-file*” as a brand name and designated program participants—EROs, Transmitters, Intermediate Service Providers, and Software Developers—as official “Authorized IRS *e-file* Providers”. The IRS provides professionally developed advertising material to EROs through the annual distribution of an IRS *e-file* Marketing Tool Kit. Providers can develop their own promotional materials as well. However,

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all Providers must abide by the following advertising standards. See Chapter 3, Advertising and Promotion, for more information about the Marketing Tool Kit and advertising standards specific to the ERO.

An Authorized IRS *e-file* Provider must comply with the advertising and solicitation provisions of 31 C.F.R. Part 10 (Treasury Department Circular No. 230). This circular prohibits the use or participation in the use of any form of public communication containing a false, fraudulent, misleading, deceptive, unduly influencing, coercive, or unfair statement of claim. Any claims concerning faster refunds by virtue of electronic filing must be consistent with the language in official Service publications.

**Providers must not advertise electronic filing of returns before Forms W-2, W2G, and 1099-R are received.**

The Provider must not use improper or misleading advertising in relation to the IRS *e-file* Program (including the time frames for refunds and RALs). A Provider must not advertise that returns may be electronically filed prior to the receipt of Forms W-2, W-2G, and 1099-R as the Provider is prohibited from electronically filing returns without Forms W-2, W-2G, and 1099-R except as explained in Chapter 3, Be Aware of Non-Standard Documents. A Provider must adhere to all relevant federal, state and local consumer protection laws that relate to advertising and soliciting.

A Provider must not use the Service's name, "Internal Revenue Service," or "IRS" within a firm's name. However, once accepted into the IRS *e-file* Program, a participant may represent itself as an "Authorized IRS *e-file* Provider". If promotional materials or logos provided by the Service are used, the Provider must comply with all Service instructions pertaining to their use. Advertising materials must not carry the FMS, IRS, or other Treasury Seals. If the advertising is for a cooperative electronic return filing project (public or private sector), it must clearly state the names of all cooperating parties.

In using the Direct Deposit name and logo, the Provider must use the name "Direct Deposit" with initial capital letters or all capital letters; the Provider will use the logo/graphic for Direct Deposit whenever feasible; and the Provider may change the color or size of the Direct Deposit logo/graphic when it is used in advertising pieces. If the availability of

a RAL is being advertised, the Provider and financial institution must clearly refer to or describe the funds being advanced as a loan, not a refund. The advertisement on a RAL must be easy to identify and in readable print. That is, it must be made clear in the advertising that the taxpayer is borrowing against the anticipated refund and not obtaining the refund itself from the financial institution.

The IRS *e-file* logo is not copyrighted. It should only be used to indicate that a Provider offers this service to taxpayers or has performed it on behalf of a taxpayer. Its use does not or should not appear to portray any other relationship between the IRS and any Provider. In using the IRS *e-file* logo, the provider must use the following guidelines:

- Don't combine the logo with the IRS eagle symbol, the word "Federal," or with other words or symbols that suggest a special relationship between the IRS and the logo user;
- Don't place text closer than 1/4 inch from the logo;
- Don't overprint other words or symbols on the logo; and
- Don't change the letter spacing or type style.

In one-color products, the logo should be printed solid, preferably PMS 285 blue. In multi-color products, the logo should be printed in solid PMS 285 blue with the lightning bolt in solid PMS 109 yellow.

**Claims of faster refunds with electronic filing must be consistent with official Service language.**

If an Authorized IRS *e-file* Provider uses radio, television, Internet, signage, or other methods of communication to advertise IRS *e-file*, the Provider must keep a copy and provide the text to the Service upon request, or if prerecorded, the recorded advertisement. Copies must be maintained until the end of the calendar year following the last transmission or use.

If an Authorized IRS *e-file* Provider uses direct mail, e-mail, fax communications, or other distribution methods to advertise, the Provider must retain a copy, and provide it to the Service upon request; the actual mailing or fax as well as a list or other description of the firms, organizations, or individuals to whom the communication was mailed, faxed or otherwise

## Safeguarding the IRS *e-file* Program

distributed until the end of the calendar year following the date of the last mailing, fax, or distribution.

Finally, acceptance to participate in the IRS *e-file* Program does not imply endorsement by the Service, FMS, or Treasury of the software or quality of services provided.

### Monitoring of the IRS *e-file* Program

The IRS monitors Authorized IRS *e-file* Providers for compliance with the revenue procedure and program requirements. Monitoring may include reviewing IRS *e-file* submissions, investigating complaints, scrutinizing advertising material, checking Form 8453 submissions, visiting offices, examining files, observing office procedures and conducting annual suitability checks. Violations may result in warnings or in sanctioning of the Authorized IRS *e-file* Provider. Sanctioning may be a written reprimand, suspension or expulsion from the Program, or other sanctions, depending on the seriousness of the infraction (see Sanctioning by the IRS below). Sanctions may be appealed through the Administrative Review process. Unreversed suspensions make Authorized IRS *e-file* Providers ineligible to participate in the IRS *e-file* Program for the remainder of the calendar year in which the suspension occurs plus either the following one or two calendar years.

In addition, the Service will monitor Authorized IRS *e-file* Providers for the following:

- Compliance with the provisions of section 6695(g), which relates to the due diligence requirements for returns claiming the Earned Income Tax Credit if the Provider is an income tax return preparer;
  - Adherence to requirements for signing returns electronically or with paper declarations, as well as the overall legibility of paper declarations;
  - The quality of a Provider's transmissions throughout the filing season.
- The Service will also monitor the electronic portion of returns and

tabulate rejects, errors, and other defects. If quality deteriorates, the Provider will receive a warning from the Service; and

- Complaints about an Authorized IRS *e-file* Provider.

Before sanctioning an Authorized IRS *e-file* Provider, the Service may issue a warning letter that describes specific corrective action for deviations from specific rules. In most circumstances, a sanction is effective as of the date of the letter informing the Provider of the sanction. However, the

**Sanctions may be a written reprimand, suspension or expulsion from the Program.**

Service may sanction an Authorized IRS *e-file* Provider without issuance of a warning letter. In certain circumstances, the Service can immediately suspend or expel an Authorized IRS *e-file* Provider without prior warning or notice. If a principal or Responsible Official is suspended or expelled from the Program, every entity that listed the suspended principal or Responsible Official on its Form 8633 may also be suspended or expelled.

The Service may list in the *Internal Revenue Bulletin*, newsletters, or other media the name and owner of any entity suspended or expelled from the IRS *e-file* Program and the sanction's effective date. The Service may warn or sanction Authorized IRS *e-file* Providers who are using the services of a denied, suspended, or expelled Provider as such a business relationship is prohibited. However, if the Service deems it appropriate, it may sanction the Provider without such warning.

### **Sanctioning by the IRS**

Sanctions that the Service may impose range from a written reprimand to expulsion from the IRS *e-file* Program, depending on the seriousness of the infraction. The Service categorizes infractions as Level One, Level Two, and Level Three Infractions.

**Level One Infractions**—Level One Infractions are violations of the rules governing the IRS *e-file* Program that, in the opinion of the Service, have little or no adverse impact on the quality of electronically filed returns

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or on the IRS *e-file* Program. The Service may issue a letter of reprimand for a Level One Infraction.

**Level Two Infractions**—Level Two Infractions are violations of the rules governing the IRS *e-file* Program that, in the opinion of the Service, have an adverse impact upon the quality of electronically filed returns or on the IRS *e-file* Program. Level Two Infractions include continued Level One Infractions after the Service has brought the Level One Infraction to the attention of the Authorized IRS *e-file* Provider. Depending on the infractions, the Service may either restrict participation in the IRS *e-file* Program or suspend the Authorized IRS *e-file* Provider from the Program. The period of suspension includes the remainder of the calendar year in which the suspension occurs plus the next calendar year.

**Level Three Infractions**—Level Three Infractions are violations of the rules governing the IRS *e-file* Program that, in the opinion of the Service, have a significant adverse impact on the quality of electronically filed returns or on the IRS *e-file* Program. Level Three Infractions include continued Level Two Infractions after the Service has brought the Level Two Infraction to the attention of the Authorized IRS *e-file* Provider. Commission of a Level Three Infraction may result in suspension from the Program and, depending on the severity of the infraction, such as fraud or criminal conduct, could result in expulsion from the Program without the opportunity for future participation. If the Service suspends an Authorized IRS *e-file* Provider from the program for a Level Three Infraction, the period of suspension includes the remainder of the calendar year in which the suspension occurs plus the next two calendar years. The Service reserves the right to suspend or expel an Authorized IRS *e-file* Provider prior to administrative review for Level Three Infractions.

### Annual Suitability Checks

All Authorized IRS *e-file* Providers, except those that function solely as Software Developers, passed a suitability check on the firm as well as on all principals and Responsible Officials of the firm prior to acceptance into



the program. To maintain IRS *e-file* program integrity, annual suitability checks are done on all firms, all principals of firms, and Responsible Officials to determine if:

1. All personal income tax returns are filed and timely;
2. All business tax returns are filed and timely;
3. All tax liabilities are paid or appropriately addressed with the Service;
4. Penalties have not been assessed; and
5. There is evidence of disreputable conduct or other facts that would reflect adversely on the IRS *e-file* Program.

Failure to meet any of these checks may result in Authorized IRS *e-file* Providers being sanctioned.

#### **Penalties**

Preparer penalties may be asserted against an individual or firm meeting the definition of an income tax preparer under §7701(a)(36) and §301.7701-15. Preparer penalties that may be asserted under appropriate circumstances include, but are not limited to, those set forth in §6694, 6695, and 6713.

Under §301.7701-15(d), Authorized IRS *e-file* Providers are not income tax return preparers for the purpose of assessing most preparer penalties as long as their services are limited to “typing, reproduction, or other mechanical assistance in the preparation of a return or claim for refund.” If an ERO, Intermediate Service Provider, Transmitter, or the product of a Software Developer alters the return information in a nonsubstantive way, this alteration will be considered to come under the “mechanical assistance” exception described in §301.7701-15(d). A nonsubstantive change is a correction or change limited to a transposition error, misplaced entry, spelling error, or arithmetic correction.

If an ERO, Intermediate Service Provider, Transmitter, or the product of a Software Developer alters the return in a way that does not come under the “mechanical assistance” exception, the Authorized IRS *e-file* Provider

**Under some circumstances, Providers could be held liable for income tax preparer penalties.**

**The Service reserves the right to assert all appropriate penalties against Providers as warranted.**

may be held liable for income tax return preparer penalties. See §301.7701-15; Rev. Rule. 85-189, 1985-2 C.B. 341 (which describes a situation where the Software Developer was determined to be an income tax return preparer and subject to certain preparer penalties).

In addition to the above specified provisions, the Service reserves the right to assert all appropriate preparer, nonpreparer, and disclosure penalties against an Authorized IRS *e-file* Provider as warranted.

### Administrative Review

#### **The Administrative Review Process for Denial of Participation in the IRS *e-file* Program**

An applicant that has been denied participation in the IRS *e-file* Program has the right to an administrative review. During the administrative review process, the denial of participation remains in effect.

In response to the submission of an application, the Service will either accept an applicant in the IRS *e-file* Program or issue a denial letter that explains the denial of participation. An applicant that receives a denial letter may mail a written response to the address shown in the letter within 30 calendar days of the date of the denial letter. The applicant's response must address the Service's reason(s) for denial and attach any supporting documentation.

Upon receipt of an applicant's written response, the Service will reconsider its denial of the applicant's participation in the IRS *e-file* Program. The denial may either be withdrawn and the applicant accepted into the IRS *e-file* Program, or a second denial letter will be issued. An applicant who receives a second denial letter is entitled to an appeal, which must be submitted in writing to the Director of Practice. See Chapter 2, Acceptance into the IRS *e-file* Program. The appeal must be mailed to the address shown in the second denial letter within 30 days of the date of the denial

letter. An applicant's written appeal must contain a detailed explanation, with supporting documentation, of why the denial should be reversed.

Failure to respond within 30 days beginning with the date of either the denial letters described above irrevocably terminates an applicant's right to an administrative review or appeal. If an application for participation in the IRS *e-file* Program is denied, the applicant is ineligible to submit a new application for the period of time specified in the denial letter.

#### **The Administrative Review Process for Suspension from the IRS *e-file* Program**

An Authorized IRS *e-file* Provider that has been advised of a proposed sanction has the right to an administrative review. If a Provider received a letter proposing sanctions, the Provider may mail a detailed written explanation with supporting documentation as to why the proposed sanction action should be withdrawn within 30 calendar days of the date of the letter proposing sanctions. This written response should be sent to the office that issued the proposed sanctioning letter.

Upon receipt of the Authorized IRS *e-file* Provider's written response, the Service will reconsider its proposed sanction. The Service may either withdraw its proposed sanction or affirm it by issuing a recommended sanctioning letter.

If a Provider receives a recommended sanctioning letter affirming the suspension, the Provider may appeal to the Director of Practice. The appeal must be in writing and mailed to the IRS office that issued the recommended sanctioning letter within 30 calendar days of the date of the letter recommending sanctions. The Authorized IRS *e-file* Provider's written appeal must contain detailed reasons, with supporting documentation, to show why the recommended sanctioning should not be imposed.

Failure to respond within 30 days beginning with the date of either the proposed sanctioning letter or the recommended sanctioning letter

**Any Provider advised of a proposed sanction has the right to an administrative review.**

## Safeguarding the IRS *e-file* Program

described above irrevocably terminates an Authorized IRS *e-file* Provider's right to an administrative review or an appeal.

### **Safeguarding the IRS *e-file* Program from Abuse and Fraud**

**Report suspicious  
activity to the IRS by calling  
1-800-829-0433.**

All Authorized IRS *e-file* Providers must be diligent in recognizing and preventing fraud and abuse in the IRS *e-file* program. Neither the IRS nor providers benefit when fraud or allegations of abuse tarnish the integrity and reputation of the IRS *e-file* Program. Providers with problems involving fraud and abuse may be suspended or expelled from the IRS *e-file* program, be assessed civil and preparer penalties, or be subject to legal action.

Any time you observe or become aware of suspicious activity, report it to the IRS by calling 1-800-829-0433 (toll-free).

# Paperwork Reduction Act Notice

The collections of information contained in this publication have been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-1708.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. §6103.

The collections of information in this publication are in chapters 3, 4, and 5. This information is required to implement the Form 1040 IRS *e-file* Program and to enable taxpayers to file their individual income tax returns electronically. The information will be used to ensure that taxpayers receive accurate and essential information regarding the filing of their electronic returns and to identify the persons involved in the filing of electronic returns. The collections of information are required to retain the benefit of participating in the Form 1040 IRS *e-file* Program. The likely respondents are business or other for-profit institutions.

The estimated total annual reporting and recordkeeping burden is 2,924,627 hours.

If you have comments concerning the accuracy of these time estimates or suggestions for making publication simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001.

# Glossary

**Acceptance Letter** Correspondence issued by the Service annually to Authorized IRS *e-file* Providers which confirms the status of Authorized IRS *e-file* Providers to participate in the current filing season. (See also Credentials.)

**Acknowledgment (ACK)** A report generated by the Service to a Transmitter which indicates receipt of all transmissions. An ACK Report will indicate individual returns in each transmission which are accepted or rejected for specific reasons.

**Administrative Review Process** The process by which a denied applicant or sanctioned Authorized IRS *e-file* Provider may appeal the Service's denial or sanction.

**Adoption Taxpayer Identification Number (ATIN)** A tax processing number issued by the IRS as a temporary taxpayer identification number for a child in the domestic adoption process who is not yet eligible for a Social Security Number (SSN). An ATIN is not a permanent identification number and is only intended for temporary use. To obtain an ATIN, complete IRS Form W-7A, *Application for Taxpayer Identification Number for Pending U.S. Adoptions*.

**Authorized IRS *e-file* Provider** An accepted participant in the IRS *e-file* Program.

**Automated Clearing House (ACH)** A system that administers electronic funds transfers (EFTs) among participating financial institutions. An example of such a transfer is Direct Deposit of a tax refund from IRS into a taxpayer's account at a financial institution.

**Batch** A single transmission consisting of the electronic data from single or multiple tax returns.

**Credentials** Documentation issued by the Service which indicates qualification of an Authorized IRS *e-file* Provider to participate in the IRS *e-file* Program. The documentation, or credentials, consists of identification numbers and acceptance letters.

**Debt Indicator (DI)** The Debt Indicator is a field which may be found on an ACK Report. It only indicates whether a debt offset of a taxpayer's refund will occur. It does not indicate how much the offset will be. Offsets taken by IRS may be for current and prior year tax obligations. Offsets taken by the Financial Management Service (FMS) are for past due student loans, child support, Federal taxes, state taxes, or other governmental agency debts. The DI is currently a pilot program available only to an Authorized IRS *e-file* Provider who has entered into an agreement with the Service or sponsored by another Authorized IRS *e-file* Provider who has entered into an agreement with the Service through the Request for Agreement (RFA) process.

**Declaration Control Number (DCN)** A unique 14-digit number assigned by the ERO (or Transmitter, in the case of On-Line Filing), to each electronically filed tax return.

**Denied Applicant** An applicant who is unsuccessful in gaining acceptance into the IRS *e-file* Program. An applicant that has been denied participation in the IRS *e-file* Program has the right to an administrative review.

**Depositor Account Number (DAN)** The financial institution account to which a Direct Deposit refund is to be routed.

**Digital Daily** The IRS web site located at <http://www.irs.gov>

**Direct Debit (Automatic Withdrawal)** A payment method which allows the taxpayer to authorize the U.S. Treasury to debit (an automatic withdrawal from) their checking or savings account on the date the taxpayer specifies while filing a return.

**Direct Deposit** An electronic transfer of a refund into a taxpayer's financial institution account.

**Direct Filer** see “Transmitter”.

**Drain** The IRS scheduled time for processing electronically filed return data.

**Drop or Dropped** A situation whereby an EFIN is no longer valid due to inactivity or administrative oversight.

**Due Diligence** Due Diligence, when used in context with the Earned Income Tax Credit (EITC), refers to requirements that income tax return preparers must follow when preparing returns or refund claims that involve EITC.

**Earned Income Tax Credit (EITC)** The Earned Income Tax Credit is a special credit for certain persons who work. The credit reduces the amount of tax owed (if any) and is refundable.

**EITC Recertification** A process designed to prevent tax return filers from receiving EITC as a result of a prior audit whereby the taxpayer was not successful in proving that they met all EITC eligibility requirements. Before receiving the EITC again, these taxpayers must provide additional information on Form 8862, *Information to Claim Earned Income Tax Credit After Disallowance*, when they file their current tax year return.

**Electronic Filing Identification Number (EFIN)** An identification number assigned by the Service to an applicant of the IRS *e-file* Program.

**Electronic Funds Transfer (EFT)** The arrangement by which Direct Deposit refunds are transmitted from the government to the taxpayer’s account at a financial institution.

**Electronic Postmark** The Electronic Postmark is the date and time the electronic return is first received on the Transmitter’s host in the Transmitter’s time zone. The ERO, or taxpayer in the case of On-Line Filing, adjusts the time to their time zone to determine timeliness.

**Electronic Return Originator (ERO)** An authorized entity that originates the electronic submission of income tax returns to the Service.



**Electronic Tax Administration (ETA)** Electronic Tax Administration (ETA) is the office within IRS which has management oversight of the Service's electronic commerce initiatives. The mission of ETA is to revolutionize how taxpayers transact and communicate with the IRS. ETA is critical to the overall mission of the IRS, which is to provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities, and by applying the tax laws with integrity and fairness to all. ETA fully supports IRS' overall plans for the future and the strategic goals of: Service to Each Taxpayer; Service to All Taxpayers; and, Productivity through a Quality Work Environment.

**Electronic Tax Administration Advisory Committee (ETAAC)** An advisory group established by the IRS Restructuring and Reform Act of 1998 to provide an organized public forum for discussion of ETA issues in support of the overriding goal that paperless filing should be the preferred and most convenient method of filing tax and information returns.

**Electronic Transmitter Identification Number (ETIN)** An identification number assigned by the Service to a participant of the IRS *e-file* Program that performs activities of a Transmitter and/or Software Developer.

**Electronically Transmitted Documents (ETD)** A system created to process electronically filed documents that are not attached to a tax return and are filed separately from the tax return.

**Error Reject Code (ERC)** Assigned explanations included on an Acknowledgment (ACK) Report for returns that are rejected by the Service. ERCs are published annually prior to the filing season in Publication 1345A, *Filing Season Supplement for Authorized IRS e-file Providers of Individual Income Tax Returns*, and Publication 1346, *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*.

**Federal/State e-file** The Federal/State *e-file* option allows both Federal and state income tax returns to be filed electronically in a single transmission to the Service.

**Financial Institution** For the purpose of Direct Deposit of tax refunds, a financial institution is defined as a state or national bank, savings and loan association, mutual savings bank, or credit union. Only certain financial institutions and certain kinds of accounts are eligible to receive Direct Deposits of tax refunds.

**Financial Management Service (FMS)** The agency of the Department of the Treasury through which payments to and from the government, such as Direct Deposits of refunds, are processed.

**Form Field Number or Form Sequence (SEQ) Number** The location of specific data on a tax return as defined in Publication 1346, *Electronic Return File Specification and Record Layouts for Individual Income Tax Returns*.

**Fraudulent Return** A “fraudulent return” is a return in which the individual is attempting to file using someone else’s name or SSN on the return or where the taxpayer is presenting documents or information that have no basis in fact. NOTE: Fraudulent returns should not be filed with the Service.

**Indirect Filer** An Authorized IRS *e-file* Provider who submits returns to IRS via the services of a Transmitter.

**Individual Taxpayer Identification Number (ITIN)** A tax processing number that became available on July 1, 1996, for certain nonresident and resident aliens, their spouses and dependents. The ITIN is only available from IRS for those individuals who cannot obtain a Social Security Number (SSN). To obtain an ITIN, complete IRS Form W-7, *Application for IRS Individual Identification Number*.

**Infraction** An offense which is prohibited in the IRS *e-file* Program.

**Intermediate Service Provider** An Authorized IRS *e-file* Provider that receives electronic tax return information from an ERO or from a taxpayer who files electronically using a personal computer, commercial tax preparation software and a modem, processes the electronic tax return information, and either forwards the information to a Transmitter or sends the information back to the ERO or taxpayer.

**Internet Protocol (IP) Information** The IP address, date, and time of the origination of a tax return filed through On-Line Filing via the Internet. IRS requires Transmitters that provide On-Line services via the Internet to capture the Internet Protocol Information of On-Line returns. By capturing this information, the location of the return's originator is transmitted with the individual's electronic return. However, the IP address may not be available in all cases.

**IRS e-file** The brand name of the electronic filing methods established by the Service.

**IRS e-file Marketing Tool Kit** A specially designed kit containing professionally developed material that EROs can customize for use in advertising campaigns and promotional efforts.

**IRS Master File** A centralized IRS database containing taxpayers' personal return information.

**Levels of Infractions (LOI)** Categories of infractions that are based on the seriousness of the infraction and have specified sanctions associated with each level. Level One is the least serious, Level Two is moderately serious, and Level Three is the most serious.

**Memorandum of Agreement (MOA) & Memorandum of Understanding (MOU)** For purposes relating to IRS *e-file* Program pilot programs, an MOA or MOU embodies the implementing document containing the set of rules established by the Service for participating in these pilot programs.

**Monitoring** Activities which the Service performs in order to ensure that Authorized IRS *e-file* Providers are in compliance with the IRS *e-file* Program's requirements. Monitoring may include reviewing IRS *e-file* submissions, investigating complaints, scrutinizing advertising material, checking signature form submissions and/or recordkeeping, visiting offices, examining files, observing office procedures and conducting annual suitability checks.

**Name Control** The first four significant letters of a taxpayer's last name that are used in connection with the taxpayer SSN to identify the taxpayer, spouse, and dependents.

**Nonsubstantive Change** A correction or change limited to a transposition error, misplaced entry, spelling error, or arithmetic correction which does not require new signatures or authorizations to be transmitted or retransmitted.

**Originate or Origination** Origination of an electronic tax return submission occurs when an ERO either: (1) directly transmits electronic returns to the Service, (2) sends electronic returns to a Transmitter, or (3) provides tax return data to an Intermediate Service Provider.

**Participants Acceptance Testing (PATS)** A requirement for all Transmitters and Software Developers who participate in IRS *e-file* to assess their software and transmission capability with the IRS, prior to live processing.

**PATS Communications Test** A requirement for all Transmitters using accepted IRS *e-file* software to assess their transmission capability with the IRS, prior to live processing.

**Pilot Programs** An approach that the Service uses to introduce new technology into the IRS *e-file* Program. Pilot programs are usually conducted within a limited geographic area or within a limited taxpayer or practitioner community. The Service establishes rules for participating in these pilot programs and embodies these rules in an implementing document typically referred to as a "Memorandum of Understanding" (MOU) or "Memorandum of Agreement" (MOA). Pilot participants must agree to the provisions of the implementing document in order to participate in the pilot program.

**Potentially Abusive Return** A "potentially abusive return" is a return (1) that is not a fraudulent return; (2) that the taxpayer is required to file; (3) but that may contain inaccurate information that may lead to an understatement of a liability or an overstatement of a credit resulting in

production of a refund to which the taxpayer may not be entitled.

NOTE: The decision not to provide a RAL or other bank product does not necessarily make it an abusive return.

**Preparer's Tax Identification Number (PTIN)** A PTIN, or Preparer's Tax Identification Number, is an identification number issued by the IRS which paid tax return preparers may use in lieu of disclosing his or her Social Security Number (SSN) on returns that he or she prepared. A PTIN meets the requirements under section 6109(a)(4) of furnishing a paid tax return preparer's identifying number on returns that he or she prepares. To obtain a PTIN, complete IRS Form W-7P, *Application for Preparer's Tax Identification Number*.

**Refund Anticipation Loan (RAL)** A Refund Anticipation Loan is money borrowed by a taxpayer that is based on a taxpayer's anticipated income tax refund. The Service has no involvement in RALs. A RAL is a contract between the taxpayer and the lender. A RAL may be marketed under various commercial or financial product names.

**Refund Cycle** The anticipated date that a refund would be issued by the Service either by Direct Deposit or by mail to a taxpayer for a return included within a specific "drain". However, neither the Service nor FMS guarantees the specific date that a refund will be mailed or deposited into a taxpayer's financial institution account.

**Request for Agreement (RFA)** A solicitation, normally a written document, used in establishing non-monetary memoranda of agreement. RFAs are not "acquisitions" as defined by the Federal Acquisition Regulations (FAR).

**Request for Procurement (RFP)** A solicitation, normally a written document, used in negotiated acquisitions estimated over \$100,000 (as opposed to sealed bids) to communicate government requirements to prospective contractors and to solicit proposals to perform contracts.

**Responsible Official** An individual with authority over the IRS *e-file* operation of the office(s) of an Authorized IRS *e-file* Provider, who is the

first point of contact with the Service, and has authority to sign revised IRS *e-file* applications. A Responsible Official is responsible for ensuring that the Authorized IRS *e-file* Provider adheres to the provisions of the Revenue Procedure and the publications and notices governing the IRS *e-file* Program.

**Revenue Procedure (for the *e-file* Program)** A legal document which informs participants in the *e-file* Program of their obligations to the Internal Revenue Service, taxpayers, and other participants.

**Revenue Protection** A series of compliance programs designed to ensure that the revenue the government collects and/or disburses in the form of refunds is accurate and timely, and that disbursement of revenue is issued only to entitled taxpayers.

**Routing Transit Number (RTN)** A number assigned by the Federal Reserve to each financial institution.

**Sanction** A measure that restricts or revokes the privileges of an Authorized IRS *e-file* Provider from the IRS *e-file* Program.

**Service Bureau** See “Intermediate Service Provider”.

**Service Bureau Identification Number (SBIN)** An identification number assigned by the Service to an ERO which performs the activities of a Service Bureau. Effective August 1, 2000, SBINs will not be issued. EFINs will be used to identify Intermediate Service Providers. Existing assigned SBINs will continue to be valid and may be used as well.

**Software Developer** An Authorized IRS *e-file* Provider that develops software for the purposes of (a) formatting the electronic portions of returns according to Publication 1346; and/or (b) transmitting the electronic portion of returns directly to the Service. A Software Developer may also sell its software.

**Stockpiling** Once a taxpayer authorizes IRS *e-filing* of their return, the tax return data must be transmitted as soon as possible after completion,

but within three calendar days. Stockpiling occurs when this timeframe is not met. Collecting tax returns intended for IRS *e-filing* by an ERO prior to the IRS *e-file* Program's startup date is not considered stockpiling. However, EROs must advise taxpayers that the returns will not be transmitted to IRS prior to the startup date.

**Suitability** A check conducted on all firms and the principals and Responsible Officials of firms when an application is initially processed, and on an annual basis thereafter. The suitability check includes a background check conducted by IRS to ensure the integrity of the IRS *e-file* Program.

**Suspension** A sanction revoking an Authorized IRS *e-file* Provider's privileges for participation in the IRS *e-file* Program.

**TeleTax** An automated telephone service which contains pre-recorded messages covering various tax topics. Taxpayers may also inquire about the status of their refund using TeleTax's Refund Information service. The TeleTax number is 1-800-829-4477.

**Transmitter** An Authorized IRS *e-file* Provider that transmits the electronic portion of a return directly to the Service. An entity that provides a "bump-up" service is also a Transmitter. A bump-up service provider increases the transmission rate or line speed of formatted or reformatted information that is being sent to the Service via a public switched telephone network.

**Treasury Offset Program (TOP)** Public Law established the Tax Refund Offset Program which permits overpayments to be offset against delinquent child support obligations, as well as debts owed to participating Federal and state agencies. The Financial Management Service (FMS) assumes responsibility and oversight for the Treasury Offset Program.

**Warning** Written notice given by the IRS to an Authorized IRS *e-file* Provider requesting specific corrective action be taken to avoid sanctions.

# The Application Process

The application form and procedures for its use in applying to become an Authorized IRS *e-file* Provider are contained in Publication 3112, *The IRS e-file Application Process*. See Chapter 1, Where Can I get Information about Applications or Fingerprint Cards? For your convenience, the rules governing the application process appear below.

In applying to become an Authorized IRS *e-file* Provider, you must complete two steps:

1. Complete and submit Form 8633, *Application to Participate in the IRS e-file Program*; and
2. Pass a suitability check.

## Completing Form 8633

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Applicants and Authorized IRS *e-file* Providers must file a new Form 8633 with completed fingerprint cards for the appropriate individuals if:

1. The applicant has never participated in the Form 1040 ELF Program or the IRS *e-file* Program;
2. The applicant has previously been denied participation in the Form 1040 ELF Program or the IRS *e-file* Program;
3. The applicant has been suspended from the Form 1040 ELF Program or the IRS *e-file* Program; or
4. The Provider is participating in the IRS *e-file* Program and wants to operate an IRS *e-file* business at an additional location.

**Note:** An individual who supplied a fingerprint card in conjunction with a previously accepted application need not submit an additional fingerprint card.



In addition, if the conditions described in Chapter 2, Revisions Using Form 8633, apply, a new Form 8633 is required.

The application period for new applicants who intend to participate in the IRS *e-file* Program for any filing season begins on the first day of August preceding the filing season and continues into the filing season. See Form 8633 for the last date to file a new application. However, applications submitted after the first day of December preceding the filing season may not be processed in time for the applicant to participate in the Program by the start of the filing season. If an applicant purchases an existing Provider's business, a new application and proof of sale must be submitted during the period beginning 45 days before, and ending 30 days after, the date of the purchase. The application forms must be filed at the IRS address shown in the instructions for Form 8633.

**Applications submitted after Dec.1 may not be processed by the start of the following filing season.**

### Fingerprint Cards

Each individual listed on Form 8633 as a principal or Responsible Official of the firm must pass a suitability check that includes a credit check, a tax compliance check, and a fingerprint check. (See Chapter 2, Principals and Responsible Officials.) In lieu of a standard fingerprint card, an individual may choose to submit evidence that the individual is:

**Each individual listed on Form 8633 as a principal or Responsible Official must pass a suitability check.**

- An attorney in good standing of the bar of the highest court in any state, commonwealth, possession, territory, or the District of Columbia and is not currently under suspension or disbarment from practice before the Service or the bar of any state commonwealth, possession, territory, or the District of Columbia;

## The Application Process

- A Certified Public Accountant who is duly qualified to practice as a Certified Public Accountant in any state, commonwealth, possession, territory, or the District of Columbia, and is not currently under suspension or disbarment from practice before the Service or whose license to practice is not currently suspended or revoked by any state, commonwealth, possession, territory, or the District of Columbia;
- An enrolled agent pursuant to part 10 of 31 C.F.R. Subtitle A;
- An officer of a publicly held corporation; or
- A banking official who is bonded and has been fingerprinted within the last two years.

### Suitability Checks

The Service reviews any firm, organization, principal, or Responsible Official listed on the application. An application may be denied for participation in the IRS *e-file* Program for a variety of reasons. See

Acceptance into the IRS *e-file* Program in Chapter 2. Only

Providers who function solely as Software Developers are exempt from the suitability check. Only when the applicant has passed the suitability check will credentials be issued for participation into the Program.

**Only Providers who function solely as Software Developers are exempt from the suitability check.**

# Revenue Procedure 2000-31

## **Requirements of Participants in the IRS *e-file* Program for Individual Income Tax Returns**

Complete text as published in  
*Internal Revenue Bulletin, 2000-31*, July 31, 2000

26 CFR 601.602: Tax forms and instructions.  
(Also Part I, Sections 6012, 6061; 1.6012-5, 1.6061-1.)

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## SECTION 1. PURPOSE

This revenue procedure informs those who participate in the IRS *e-file* Program of their obligations to the Internal Revenue Service, taxpayers, and other participants. The IRS *e-file* Program allows taxpayers to file their income tax returns through an Electronic Return Originator, or by using a personal computer, modem, and commercial tax preparation software (the Form 1040 IRS On-Line Filing Program). The following returns can be filed under the IRS *e-file* Program: (1) Form 1040 and Form 1040A, U. S. Individual Income Tax Return; and (2) Form 1040EZ, Income Tax Return for Single and Joint Filers with no Dependents. This revenue procedure modifies and supersedes Rev. Proc. 98-50, 1998-2 C.B. 368 (IRS *e-file* Program), and Rev. Proc. 98-51, 1998-2 C.B. 380 (Form 1040 IRS On-Line Filing Program).

## SECTION 2. BACKGROUND AND CHANGES

.01 Section 1.6011-1(a) of the Income Tax Regulations provides that every person subject to income tax must make a return or statement as required by the regulations. The return or statement must include the information required by the applicable regulations or forms.

.02 Section 301.6061-1(b) of the Regulations on Procedure and Administration authorizes the Secretary to prescribe in forms, instructions, or other appropriate guidance the method of signing any return, statement, or other document required to be made under any provision of the internal revenue laws or regulations.

.03 Section 1.6012-5 of the regulations provides that the Commissioner may authorize the use, at the option of a

person required to make a return, of a composite return in lieu of any form specified in 26 CFR Part 1 (Income Tax), subject to the conditions, limitations, and special rules governing the preparation, execution, filing, and correction thereof as the Commissioner may deem appropriate.

.04 This revenue procedure combines the rules governing the IRS *e-file* Program with the rules governing the Form 1040 IRS On-Line Filing Program (previously set forth in Rev. Proc. 98-50 and Rev. Proc. 98-51, respectively).

.05 This revenue procedure incorporates substantive changes made to the IRS *e-file* Program, including changes to the definitions of program participants (see section 3 of this revenue procedure) and changes to the sanctions that may be imposed upon Authorized IRS *e-file* Providers (see section 7 of this revenue procedure).

.06 Many of the rules governing participation in the IRS *e-file* Program are now set forth in IRS Publications. See section 5.01 of this revenue procedure.

## SECTION 3. DEFINITIONS

.01 A participant in the IRS *e-file* Program is referred to as an “Authorized IRS *e-file* Provider.” The Authorized IRS *e-file* Provider categories are:

(1) ELECTRONIC RETURN ORIGINATOR. An “Electronic Return Originator” (ERO) originates the electronic submission of income tax returns.

(2) INTERMEDIATE SERVICE PROVIDER. An “Intermediate Service Provider” receives tax return information from an ERO (or from a taxpayer who files electronically using a personal computer, modem, and commercial tax preparation software), processes the tax return information, and either forwards the information to a Transmitter, or

sends the information back to the ERO (or taxpayer).

(3) SOFTWARE DEVELOPER. A “Software Developer” develops software for the purposes of (a) formatting electronic tax return information according to Publication 1346, Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns; and/or (b) transmitting electronic tax return information directly to the Service.

(4) TRANSMITTER. A “Transmitter” transmits electronic tax return information directly to the Service.

.02 The Authorized IRS *e-file* Provider categories are not mutually exclusive. For example, an ERO can, at the same time, be a Transmitter, Software Developer, or Intermediate Service Provider depending on the function(s) performed.

.03 A “Responsible Official” is an individual with authority over the IRS *e-file* operation of the office(s) of the Authorized IRS *e-file* Provider, is the first point of contact with the Service, and has authority to sign revised IRS *e-file* applications. A Responsible Official is responsible for ensuring that the Authorized IRS *e-file* Provider adheres to the provisions of this revenue procedure and the publications and notices governing the IRS *e-file* Program.

## SECTION 4. ACCEPTANCE IN THE IRS *e-file* PROGRAM

.01 Individuals, businesses, and organizations that wish to participate in the IRS *e-file* Program must apply for participation and must be accepted by the Service.

.02 The procedures governing application to the IRS *e-file* Program are included in Publication 3112, The IRS *e-file* Application Package.

.03 The circumstances under which the Service may deny participation in

the IRS *e-file* Program are included in Publication 1345, Handbook for Authorized *e-file* Providers of Individual Income Tax Returns. An applicant who is denied participation may seek administrative review of the denial. See section 8 of this revenue procedure.

.04 To continue participation in the IRS *e-file* Program, Authorized IRS *e-file* Providers must adhere to all requirements of this revenue procedure and the publications and notices governing the IRS *e-file* Program.

## **SECTION 5. RESPONSIBILITIES OF AN AUTHORIZED IRS *e-file* PROVIDER**

.01 To ensure that returns are accurately and efficiently filed, an Authorized IRS *e-file* Provider must comply with the provisions of this revenue procedure and all publications and notices governing the IRS *e-file* Program. The Service will from time to time update such publications and notices to reflect changes to the program. It is the responsibility of the Authorized IRS *e-file* Provider to ensure that it complies with the latest version of all publications and notices. The publications and notices governing the IRS *e-file* Program include:

(1) Publication 1345, Handbook for Authorized IRS *e-file* Providers of Individual Income Tax Returns;

(2) Publication 1345A, Filing Season Supplement for Authorized IRS *e-file* Providers of Individual Income Tax Returns;

(3) Publication 1346, Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns;

(4) Publication 1436, Test Package for Electronic Filing of Individual Income Tax Returns;

(5) Publication 3112, The IRS *e-file* Application Package; and

(6) Postings to the Electronic Filing System Bulletin Board (EFS Bulletin Board) and the IRS *Digital Daily* web site at: <http://www.irs.gov> on the Internet.

.02 The publications and notices listed in section 5.01 supplement this revenue procedure but do not supersede it. A violation of a provision of these publications and notices is considered a violation of this revenue procedure and may subject the participant to the sanctions provided in section 7 of this revenue procedure.

## **SECTION 6. PENALTIES**

.01 Penalties for Disclosure or Use of Information.

(1) An Authorized IRS *e-file* Provider, except a Software Developer that does not have access to taxpayer information, is a tax return preparer under the definition of §301.7216-1(b). A tax return preparer is subject to a criminal penalty for unauthorized disclosure or use of tax return information. See §7216 of the Internal Revenue Code and §301.7216-1(a). In addition, §6713 establishes civil penalties for unauthorized disclosure or use of tax return information.

(2) Under §301.7216-2(h), disclosure of tax return information among Authorized IRS *e-file* Providers for the purpose of electronically filing a return is permissible. For example, an ERO may pass on tax return information to an Intermediate Service Provider and/or a Transmitter for the purpose of having an electronic return formatted and transmitted to the Service.

.02 Other Preparer Penalties.

(1) Preparer penalties may be asserted against an individual or firm meeting the definition of an income

tax return preparer under §7701(a)(36) and §301.7701-15. Preparer penalties that may be asserted under appropriate circumstances include, but are not limited to, those set forth in §6694, 6695, and 6713.

(2) Under §301.7701-15(d), Authorized IRS *e-file* Providers are not income tax return preparers for the purpose of assessing most preparer penalties as long as their services are limited to “typing, reproduction, or other mechanical assistance in the preparation of a return or claim for refund.”

(3) If an ERO, Intermediate Service Provider, Transmitter, or the product of a Software Developer alters the return information in a nonsubstantive way, this alteration will be considered to come under the “mechanical assistance” exception described in §301.7701-15(d). A nonsubstantive change is a correction or change limited to a transposition error, misplaced entry, spelling error, or arithmetic correction.

(4) If an ERO, Intermediate Service Provider, Transmitter, or the product of a Software Developer alters the return information in a way that does not come under the “mechanical assistance” exception, the Authorized IRS *e-file* Provider may be held liable for income tax return preparer penalties. See §301.7701-15; Rev. Rul. 85-189, 1985-2 C.B. 341 (which describes a situation where a Software Developer was determined to be an income tax return preparer and subject to certain preparer penalties).

.03 Other Penalties. In addition to the above specified provisions, the Service reserves the right to assert all appropriate preparer, nonpreparer, and disclosure penalties against an Authorized IRS *e-file* Provider as warranted under the circumstances.

## **SECTION 7. MONITORING AND SANCTIONING OF AN AUTHORIZED IRS *e-file* PROVIDER**

.01 The Service will monitor Authorized IRS *e-file* Providers for compliance with the rules governing the IRS *e-file* Program. The Service may sanction an Authorized IRS *e-file* Provider for violating any provision of this revenue procedure or the publications and notices governing the IRS *e-file* Program.

.02 Sanctions that the Service may impose upon an Authorized IRS *e-file* Provider for violations described in section 7.01 of this revenue procedure include a written reprimand, suspension or expulsion from the program, and other sanctions, depending on the seriousness of the infraction. Publication 1345 describes the infraction categories.

## **SECTION 8. ADMINISTRATIVE REVIEW PROCESS**

.01 An applicant that has been denied participation in the IRS *e-file* Program (see section 4.03 of this revenue procedure) has the right to an administrative review. During the administrative review process, the denial of participation remains in effect.

.02 An Authorized IRS *e-file* Provider may seek administrative review for any sanction the Service may impose under section 7 of this revenue procedure.

.03 Publication 1345 describes the procedures regarding administrative review of a denial of participation in the IRS *e-file* Program and any sanction imposed by the Service.

## **SECTION 9. PILOT PROGRAMS**

.01 The Service regularly conducts pilot programs to introduce new technology into the IRS *e-file* Program. These pilot programs are usually conducted within a limited geographic area or within a limited taxpayer or practitioner community. The Service establishes rules for participating in these pilot programs and embodies these rules in an implementing document typically referred to as a “Memorandum of Understanding” (MOU) or “Memorandum of Agreement” (MOA). Pilot participants must agree to the provisions of the implementing document in order to participate in the pilot program.

.02 An implementing document supplements this revenue procedure, but does not supersede it. Participants in a pilot program remain subject to the provisions of this revenue procedure unless the implementing document specifically provides otherwise.

.03 A violation of a provision of an implementing document is considered a violation of this revenue procedure and may subject the participant to sanctions (see section 7 of this revenue procedure).

## **SECTION 10. EFFECT ON OTHER DOCUMENTS**

Rev. Proc. 98-50, 1998-2 C.B. 368, and Rev. Proc. 98-51, 1998-2 C.B. 380, are modified and, as modified, are superseded.

## **SECTION 11. EFFECTIVE DATE**

This revenue procedure is effective July 13, 2000, except for the provisions of section 7 of this revenue procedure, which are effective January 1, 2001.

## **SECTION 12. INTERNAL REVENUE SERVICE OFFICE CONTACT**

All questions regarding this revenue procedure should be directed to the Internal Revenue Service. The telephone number for this purpose is (202) 283-0531 (not a toll-free number).

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